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# Message from the Minister

### Message from the Chair of the Board

Since 1994, Forest Renewal BC has invested over \$1.6 billion in the B.C. forest sector. This represents a partnership effort of unprecedented scope and intensity – involving government, industry, labour, environmental and community

groups, First Nations and others – to reshape an entire industry, so that it may thrive for future generations in British Columbia.



This year, Forest Renewal BC staff continued the transition, begun in 1997/98, to focus even more closely on its core priorities as an investment agency. Their success is all the more noteworthy in light of current global economic pressures and major operating changes affecting the forest sector in B.C. and abroad.

What hasn't changed is the corporation's dedication to making investments that generate more jobs and value from managing, harvesting and renewing the forest. Forest Renewal BC coatinues to build on its experience, refine its operations and streamline the way forest renewal programs are delivered across the province – all while keeping corporate administration costs at five per cent of total expenditures.

I am pleased to submit Forest Renewal BC's annual report for the year ended March 31, 1999.

Ward Junkell
Honourable David Zirnhelt

Minister of Forests



This year marked a new way of doing business at Forest Renewal BC. After achieving full delivery capacity in 1997/98, it was clearly the right time for us to refine the corporation's focus as we continue to meet our mandate to renew

the province's forest economy for the long term.

We began work immediately, with all of our forest-sector partners, acting on directives laid out in the 1998/99 Business Plan. The first Multi-Year Agreements for funding, which were signed in May 1998, will bring greater efficiency by streamlining project delivery. By giving proponents a specific blueprint for multi-year project packages, these long-term commitments will also stabilize the flow of investments that are being made in the forest land base, in forest workers, and in forest-dependent communities.

Through other initiatives, such as the launch of a province-wide Value-added Strategy that was developed with the secondary wood manufacturing sector, we refined the aim of our investments even further. And a major restructuring within our own day-to-day operations completed our transition from the project-driven corporation that was set up in 1994, to a smaller, more focused investment agency.

The changes we have set in motion this year bring a new level of efficiency and sustainability to the business of renewing B.C.'s forest sector, and we are now ready to move ahead with our new five-year, performance-based strategic plan. We look forward to continuing to work with our partners toward the shared goal of a sustainable, prosperous and diversified B.C. forest sector for the 21st century.

Roger Stanyer

Chair of the Board, Forest Renewal BC

MANDATE Forest Renewal BC was established in 1994. The provincial Crown corporation is an investment agency with a clear, focused mandate: To plan and implement a program of investments to renew the forest economy of British Columbia by enhancing the productive capacity and environmental values of forest lands, creating jobs, providing training for forest workers, and strengthening local communities that depend upon the forest industry.

Working with forest companies, workers, First Nations, environmentalists, communities and government, we help create a healthier, sustainable, more productive and globally competitive forest economy in B.C. In all of our activities, we promote regional equity and participation, wide representation for stakeholder groups, and sensitivity to the needs of the environment.

Forest Renewal BC reports to the Minister of Forests. Our accounts are audited by the Auditor General of British Columbia, and our business plan is reviewed by the Select Standing Committee on Forests, Energy, Mines and Petroleum Resources, a multi-party committee of the Legislature.

**STRUCTURE** Forest Renewal BC is governed by an 18-member board of directors, including 12 members from the private sector and six from the provincial government. Board members, who represent the major stakeholder groups, ensure that our activities are in keeping with our mandate. The board also sets our strategic priorities, and reviews and approves our investment and operational plans. Specialized committees advise the board on how best to invest in, foster and develop new programs and policies.

The corporation has six regional offices, located in Williams Lake, Prince George, Kamloops, Smithers, Cranbrook and Campbell River. Regional staff work with communities, groups and individuals to ensure that there is local involvement in regional investment plans and priorities. (Forest Renewal BC does not deliver programs; individual companies, associations, unions, communities, environmental

and other groups are responsible for project implementation.)

Forest Renewal BC executive and corporate support staff are located in Victoria.

**FUNDING** Funding for Forest Renewal BC comes from stumpage paid by forest companies for the right to harvest timber on Crown land in British Columbia. The Crown owns 94 per cent of the land in the province.

Under the authority of the Forest Renewal Act, the corporation is entitled to 80 per cent of the increases in stumpage resulting from changes to the Forest Act in 1994, minus an offset of \$50 million annually. The amount we receive each year varies, because stumpage revenue is sensitive to harvest levels, the Canada/U.S. exchange rate, and a volatile lumber market.

To safeguard program funds against several consecutive years of low revenues, a program continuity fund was established in 1995/96. At the end of 1998/99, the fund stood at \$400 million.

**REGIONAL EQUITY** The Forest Renewal Act requires that our programs and expenditures be regionally equitable. Forest Renewal BC has allocated funding over time in a manner that pursues available investment opportunities and equitably addresses the needs of communities in each region.

The 1998/99 fiscal year marked Forest Renewal BC's fifth year of making investments in BC's forest lands, the forest sector and its workers, and forest-dependent communities.

As this report demonstrates, Forest Renewal BC's investments continue to provide both immediate benefits and longer-term legacies to increase the future benefits the province derives from its forests.

# FOREST RENEWAL BC'S 1998/99 BUSINESS PLAN AND INVESTMENT TARGETS

Forest Renewal BC's 1998/99 Business Plan highlighted the many challenges that were facing both the forest sector and the corporation. The document also provided an overview of the corporation's progress in developing a new corporate strategic plan, outlined several significant organizational change initiatives, and set out a new investment and reporting framework based on strategic objectives rather than investment themes.

The 1998/99 Business Plan also acknowledged and articulated two major factors that would influence Forest Renewal BC's investment decision-making during 1998/99. First, the corporation recognized that it would need to find a balance between providing much-needed transitional support to the forest sector, and continuing to make the longer-term forest-treatment investments that are essential to ensure healthier, more productive forests in the future.

Second, the Business Plan highlighted the fact that the corporation's 1998/99 projected

investments would exceed its anticipated revenues for a second consecutive year – a pattern that Forest Renewal BC cannot sustain in the long term. Within this context, the 1998/99 Business Plan projected that the corporation would invest as much as \$517.5 million under six strategic objectives:



- · Sustainable harvest
- Enhance environmental values
- · Enhance our knowledge of the forest
- · Strengthen the value-added sector
- · Create and maintain sustainable forest jobs
- Assist forest-dependent communities through transition
   The seventh strategic objective build an effective, efficient
   organization is an internal goal rather than an investment envelope.

#### 1998/99 INVESTMENT ACHIEVEMENT HIGHLIGHTS

In 1998/99, Forest Renewal BC invested a total of \$463.2 million in B.C.'s forest lands, forest workers, and forest-dependent communities.

Forest Renewal BC invested more than \$365.7 million under its three "land-based" strategic objectives during 1998/99 – Sustainable harvest, Enhance environmental values, and Enhance our knowledge of the forest. As described in greater detail later in this report, these investments supported a wide range of work, from enhanced forestry treatments and watershed restoration work, to gathering fish and wildlife inventory data. Among other outputs, Forest Renewal BC's 1998/99 investment under these three strategic objectives resulted in:

- enhanced forestry or silviculture treatments on more than 142,000 hectares of B.C. forest lands to add to the volume and value of the timber supply,
- restoration of approximately 970 kilometres of streams to protect water quality and critical fish habitat,

- inventories of fish and wildlife species and their habitats on more than 55 million hectares to ensure that better decisions can be made to manage our forests for all values, and
- creation of more than 4,500 person-years of employment during the year.

Forest Renewal BC also made significant investments under its other three external strategic objectives. During 1998/99, the corporation invested more than \$16.5 million in support of its provincial Value-added Strategy. In partnership with various value-added industry associations, these investments helped strengthen and expand the value-added sector through marketing, training, technology transfer, and sector infrastructure development initiatives. In 1998/99, Forest Renewal BC also invested more than \$80.8 million in support of training, development and transition initiatives for forest-sector workers and forest-dependent communities.



As a result of these investments, more than 11,700 workers received training, and more than 100 forest-dependent communities were supported in their economic development and transition initiatives.

Early in the operating year, Forest Renewal BC became aware of the likelihood of a substantial drop in revenues due to changes in the stumpage system. This did occur in June 1998. It caused a revenue reduction of approximately \$200 million for the year, and will have similar effects in the future. Forest Renewal BC responded, in part, by reducing current-year investments where flexibility existed. This led to a conscious reduction in planned investment levels for 1998/99. Other reasons for variances included successful contract negotiations that brought about reductions in estimated costs, and less-than-anticipated demand in some areas, such as training. In other cases, demand was higher than anticipated, such as for forest worker transition assistance. In response, Forest Renewal BC continued, as it has each year, to closely monitor its investment spending and reallocate program investment budgets to ensure that priority and emerging opportunities were addressed.

#### OTHER 1998/99 CORPORATE ACHIEVEMENTS

Forest Renewal BC completed several important corporate initiatives during 1998/99.

Early in the fiscal year, Forest Renewal BC signed Multi-Year Agreements with 74 forest licensees and other major Forest Renewal BC proponent groups – the culmination of more than a year of work. These new agreements give proponents greater certainty over funding and more flexibility with administration, so that they can plan and implement their projects more effectively and efficiently.

Forest Renewal BC also successfully completed several of its corporate commitments this year under the provincial Jobs and Timber Accord.

Those included providing funding for Innovative Forest Practices Agreements, hiring regional value-added Fibre Facilitators, and establishing a forest-worker agency, New Forest Opportunities Ltd., for displaced Coastal forest workers.

Forest Renewal BC continued its organizational transition in 1998/99, to a smaller, more-focused investment agency. During the year, the corporation downsized and realigned its staff resources into distinct operational business units. It also commenced implementation of a performance-based management system for staff and the corporation as a whole.

Finally, Forest Renewal BC completed its new five-year Strategic Plan in 1998/99. The plan builds on and refines the corporation's seven strategic objectives, assigning investment strategies, a set of performance measures and a key target to each, so that Forest Renewal BC can more effectively measure and communicate the immediate and longer-term impacts of its investments. The corporation implemented the new plan on April 1, 1999.

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#### Person-years of direct employment

One of Forest Renewal BC's objectives is to create employment. That includes creating new employment as well as maintaining current forest-sector jobs.

In the Enhanced Forestry, Watershed Restoration, Bridge Replacement, Roads and Bridges, Recreation and Recreation Site Operations programs, because of the seasonal nature of a great deal of the forestry work, one person-year is equal to 180 days of employment, based on an eight-hour work day.

In all other programs, one person-year is equal to 220 days of employment, based on an eighthour work day.

Forest Renewal BC measures the long-term (i.e., future) employment that is created by its investments. Most of these jobs result from investments in Forests and Environ-ment programs, such as silviculture or watershed restoration projects, and there is a considerable time lag before the employment impacts are felt. In these cases, the corporation has to make a prediction on the expected job impacts. Measures are under development to do this. In other cases, such as Value-added and Communities investments, the down-stream effects come to fruition much more rapidly. In these cases, Forest Renewal BC measures the actual number of jobs created as a consequence of its investments, such as the number of jobs that are created or maintained because of start-up loans to new or existing forest businesses. (See also page 26)

#### 1998/99 Corporate Strategic Framework

The corporation's seven strategic objectives in 1908/09, as presented in its 1998/99 Business Plan, form the basis for organization of this annual report.

Those objectives are:

## Investing in Our Forests Strategic Objective 1

Sustainable harvest

These investments were intended to increase the volume and quality of timber grown on B.C.'s working forest lands. To realize that goal, Forest Renewal BC would:

- · invest in tree improvement activities.
- invest in fertilizing, spacing and forest health activities to enhance timber growth and yield.
- · invest in pruning activities to increase the value of the wood,
- invest in accelerated reforestation of backlog areas that were not satisfactorily restocked after past harvesting or natural disturbances such as fire, and
- · promote the conversion of under-utilized private lands to forestry.

#### Strategic Objective 2

Enhance environmental values

These investments were intended to promote Forest Renewal BC s goal of fostering and promoting environmental stewardship and partnership in B.C.'s forests, through:

- · investments in watershed restoration activities.
- · investments in forest-based recreation.
- investments in better research and inventory information that is needed to improve our forest management practices and ensure the protection of ecosystem integrity.
  - assisting with the completion of land-use plans that will
    provide a greater degree of certainty for the land-based
    investments of industry and Forest Renewal BC, and
    - promoting better management practices to preserve the long-term integrity of ecosystems.

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    provide a greater degree of certainty for the land-based
    investments of industry and Forest Renewal BC, and
    - promoting better management practices to preserve the long-term integrity of ecosystems.



#### **Strategic Objective 3**

Enhance our knowledge of the forest

These investments were intended to support Forest Renewal BC's goal of building the knowledge base to improve forest land-use decision-making and management. To achieve this, Forest Renewal BC:

- worked with the Science Council of BC to invest in applied research and extension,
- invested in resource inventory activities and worked with forestsector partner agencies to accelerate the availability of inventory information on a full range of forest resource values,
- invested in endowment programs to foster research and enhance knowledge of our forests and forestry processes, and
- communicated this new knowledge and understanding to our program delivery partners and the public.

# Investing in Higher-Value Forest Products Strategic Objective 4

Strengthen the value-added sector

These investments were intended to support Forest Renewal BC's goal of helping to strengthen and expand B.C.'s value-added sector.

To achieve this goal, Forest Renewal BC directed its investments to:

- · assist with value-added marketing efforts,
- improve sector financing for individual value-added companies and associations,
- · assist with value-added worker training,
- · improve fibre availability to the sector, and
- improve the accessibility of applied research and technology extension to the sector.

## Investing in People and Communities

#### Strategic Objective 5

Create and maintain sustainable forest jobs
Creating and maintaining sustainable forest jobs
has always been a key element in Forest Renewal
BC's mandate. Sustainable employment is a
direct result of successful land-based activities
that enhance the health and productivity of
B.C.'s forests. Therefore, the majority of Forest
Renewal BC investments already have short-

and long-term employment benefits. Another prerequisite for sustainable job creation is training, to provide workers with the broader range of skills they need to build a secure future in the forest sector. To achieve this goal, Forest Renewal BC directed its investments to:

- launch the forest-worker agency, New Forest
  Opportunities Ltd., to
  assess, train and place
  Coastal forest workers in
  new job opportunities in the
  Pacific Forest Region,
- provide skills training to forest-sector workers,
- maintain funding of \$300 million a year on land-based activities,
- provide priority funding access to proponents with satisfactory job-creation and maintenance plans, and
- train local-area workers for jobs on Forest Renewal BC land-based projects.

#### Strategic Objective 6

Assist forest-dependent communities through transition

These investments were intended to support Forest Renewal BC's goal of enhancing the capacity of forest communities to deal with the economic challenges and opportunities they face. To achieve this goal, Forest Renewal BC directed its investments to:

 support forest-sector economic planning and feasibility studies for forest-dependent local governments and First Nations,

- · facilitate the development of new forest business opportunities,
- assist with displaced forest worker training and transition to re-employment,
- strengthen infrastructure and support agencies for displaced workers and help those workers take advantage of new opportunities,
- facilitate community capital projects that can provide valuable infrastructure, and
- provide useful research data and economic development information to communities.



# Investing in Organizational Effectiveness Strategic Objective 7

Build an effective, efficient organization

The final strategic objective noted in the corporation's 1998/99 Business Plan was to create a more effective and efficient organization. To achieve this goal, Forest Renewal BC continued during 1998/99 to implement the various corporate initiatives it had underway to refine planning processes and streamline administrative procedures.

These initiatives included:

- completing the corporation's new, performance-based strategic plan,
- · implementing the new land-based delivery model,
- developing performance measures and key targets for each of the strategic objectives,
- maintaining core administrative costs at 5 per cent of the total program budget,
- · putting in place a significant organizational restructuring,
- · achieving a much-improved investment management system, and
- · completing a number of evaluations and reviews.

TABLE 1º ACTUAL PROGR				BY STRAT			Y REGION			
	Cariboo- Chilcotin	Rootenay- Boundary	Omineca- Peace	Pacific	Skeena- Bulkley	Thompson- Okanagan	Province- wide	Total Investments	Total Budget	Variance
Strategic Objective:					( s million	ms)			7	
YZZVRAH SJRANIATZUZ									100	
inhanced Forestry	6.20	4.55	6.64	19.15	6.93	7.01	2.71	53.18	80.44	27.26
Backlog Silviculture	7.08	6.49	22.14	9.40	7.87	6.52	0.88	60.39	59.99	(0.39)
Bridge Replacement	1.19	6.47	2.72	3.56	2.34	5.01	0.13	21.41	18.01	(3.41)
FPAs / EFMPPs / Other	8.23	1.02	0.63	1.12	2.07	2.01	0.97	15.42	17.63	2.21
Woodlot Expansion  Small Woodlands	0.48	0.37	0.62	0.30	0.26	0.68	0.17	2.86 0.08	3.10 0.50	0.24
Operational Tree Improvement	·	_	-	-	_	_	3.00	3.00	5.20	2.20
UBTOTAL	23.17	18.89	32.12	33.53	19.47	21.23	7.94	156.34	184.87	28.53
SELLAR JATHEMAROSTVAS DHARK										
Natershed Restoration	4.56	4.59	5.93	37.64	5.93	8.74	3.50	70.88	76.22	5.34
lecreation	1.26	0.81	1.39	16.16	1.27	1.17	0.05	22.10	23.14	1.04
isheries Renewal BC	400		404	-	-	-	7.50	7.50	7.50	-
Private Forest Biodiversity	-	-	-	-	-	-	0.04	0.04	1.50	1.46
rown Land-Use Planning	-	-	-	-	-	-	2.60	2.60 0.01	0.0 5	0.40
cosystem Restoration Pilot Other Proposals	-	_	-	-	-	-	0.03	0.03	- E	(0.03
UBTOTAL	5.82	5.39	7.32	53.80	7.20	9.90	13.73	103.16	111.56	8.40
HIRANCE OUR KNOWLEDGE OF THE FOREST									- File	
Resource Inventory	6.71	6.07	24.84	13.74	7.21	10.25	19.35	88.17	90.58	2.41
Research	0.52	0.96	2.08	8.69	0.63	1.50	3.21	17.59	25.23	7.64
Endowment	-	-	0.37	-	-	-	0.07	0.45	1.25	0.80
SUBTOTAL.	7.23	7.03	27.29	22.43	7.84	11.75	22.63	106.21	117.00	10.8
TRENGTHEN THE WALLIE-ADDED SECTOR		A 12	0.10	100	0.03	0.01	4.33	6.40	13/	0.60
alue-added Marketing alue-added Business	•	0.13	0.10	1.86	0.02	0.01	4.27	6.40	- 19	0.60
Development	-	ma	-	-	-	600	2.18	2.18	483	(0.55
lalue-added Training	0.27	1.21	0.17	0.59	0.13	0.07	2.20	4.64	1.4	3.61
lesearch	0.01	0.07	600	0.94	0.03	-	0.01	1.07		0.27
echnology Transfer ndustry Infrastructure	0.02	0.19	0.20	0.41		0.15	0.72	0.72 1.58	1	0.68
SUBTOTAL	0.31	1.60	0.46	3.81	0.18	0.23	9.98	16.59	22.59	5.86
CREATE AND MAINTAIN SUSTAINABLE FO	REST IORS								die	
orest Worker									DAME.	
imployment Agency	-	-		~	-	440	0.05	0.05	0.3	0.45
orest Worker Employment Training	0.78	0.07	0.03	0.92	0.23	-	0.06	2.09	10.7	0.41
ectoral Training	-	0.22		4.36	0.04	cia .	0.01	4.63	8.0	3.43
orest and Resource Technology		0.39	0.11	0.52	0.53	-	-	1.54	1.7	0.23
Bursary	**	-	-	-	-	-	0.15	0.15	0.26	0.05
Research	-	-	4 99	0.25	0.01	6 45	0.09	0.35	0.60	0.25
and-Based Training	0.41	0.30	0.77	2 77	0.21	0.45	0.01	2.16	6.50	5.84 3.73
lew Forest Opportunities Ltd. obs and Timber Accord Advocate	-	-	-	0.93	-		-	2.77 0.93	0.50	(0.43
Other Proposals	-	-	-	-		-	0.03	0.03	- ( )	(0.03
SUBTOTAL	1.19	0.98	0.91	9.75	1.01	0.45	0.40	14.70	78.6A	13.5
ASSEST FOREST-DEPCKDENT COMMUNITY	ES THROUGH	TRAKSITION							199	
orest Worker Transition	2.32	3.54	2.91	42.93	1.82	2.88	0.16	56.56	37 And	(18.66
orest Community Business	0.35	0.80	0.38	0.83	0.60	0.55	0.55	4.05	512	0.30
Forest Community Economic Development	0.44	0.52	0.32	1.31	0.87	0.67	0.24	4.37	9.00	4.6
Regional Advisory Process	0.07	0.02	0.02	0.14	0.02	0.07	0.02	0.36	0.63	0.2
Research	-	-	0.32	0.25	-	0.14	0.03	0.75	0.83	0.0
orests Excellence Awards	-	-		-10	-	-	0.06	0.06	1	0.0
Other Proposals	0.01	-	•	-	-	-	0.03	0.04	0.40	0.0
SUBTOTAL.	3.19	4.88	3.95	45.46	3.31	4.32	1.09	66.19	52.96	(13.2
TOTAL	40.92	38.78	72.05	168.79	39.01	47.88	55.76	463.19	.517,48	54.2
PROVINCE WIDE ALLOCATION	5.92	7.02	10.40	18.39	6.40	7.65	(55.76)	0	1.	
TOTAL (Includes Province Wide Allocatio		45.80	82.45	187.17	45.41	55.53	0	463.19	333	



	Carlbon	Manhana	Ominoso	Pacific	Skeena-	Thomason	Province-	Total	Total	Variance
	Cariboo- Chilcotin	Rootenay- Boundary	Omineca- Peace	Pacific	Bulkley	Thompson- Okanagan	wide	Investments	Budget	variance
itrategic Objective:					( 5 million	ns)				
USTAINABLE HARVEST										
nhanced Forestry	6.20	4.55	6.64	19.15	6.93	7.01	271	53.18	80.44	27.76
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Woodlot Expansion	0.48	0.37	0.62	0.30	0.26	0.68	0.17	2 86	3.10	0.24
small Woodlands							0.08	0.08	0.50	0.42
Operational Tree Improvement							3 00	3,00	5.20	2.70
SUBTOTAL	23.17	18.89	32.12	33.53	19.47	21.23	7.94	156.34	184.87	28.5
NHANCE ENVIRONMENTAL VALUES										
Natershed Restoration	4.56	4.59	5.93	37.64	5 93	8.74	3.50	70.88	76.22	14
Recreation	1.26	0.81	1.39	16.16	1.27	1 17	0.05	22.10	23.14	1.04
Fisheries Renewal BC	-				-	-	7.50	7.50	7.50	
Private Forest Biodiversity							0.04	0.04	1.50	1.40
Crown Land Use Planning							2.60	2,60	3.00	0.40
Ecosystem Restoration Pilot	-						0.01	0.01	0.20	0.19
Other Proposals	-					-	0.03	0.03		
SUBTOTAL	5.82	5.39	7.32	53.80	7.20	9.90	13.73	103.16	111.56	8.40
MHANCE OUR KNOWLEDGE OF THE FOREST										
Resource Inventory	6.71	6.07	24.84	13.74	7.21	10.25	19.35	88.17	90 58	2.4
Research	0.52	0.96	2.08	8.69	0.63	1.50	3.21	17.59	25.23	7.64
Endowment		-	0.37		-		0.07	0.45	1.25	0.80
SUBTOTAL	7.23	7.03	27.29	22.43	7.84	11.75	22.63	106.21	117.06	10.8
TRENCTHEN THE VALUE-ADDED SECTOR										
Value added Marketing	-	0.13	0 10	1.86	0.02	0.01	4.27	6.40	7.00	0.00
Value-added Business										
Development		-	-		-	-	2.18	2.18	1.63	(0.55
Value-added Training	0.27	1.21	0.17	0.59	0.13	0.07	2.20	4.64	8.25	3.61
Research	0.01	0.07	-	0.94	0.03		0.01	1.07	1.34	0.2
Technology Transfer		-	5		-	-	0.72	0.72	1.40	0.68
Industry Infrastructure	0.02	0.19	0.20	0.41	-	0.15	0.60	1,58	2.37	1.20
SUBTOTAL	0.31	1.60	0.46	3.81	0.18	0.23	9.98	16.59	22.39	5.8
CREATE AND MAINTAIN SUSTAINABLE FO	280) 123B									
Forest Worker Employment Agency				-	4	-	0.05	0.05	0.50	0.4
Forest Worker										
Employment Training	0.78	0 07	0.03	0.92	0.23	-	0.06	2.09	2.50	0.4
Sectoral Training		0.22		4.36	0.04		0.01	4.63	8.07	3.4
Forest and Resource Technology		0.39	0.11	0.52	0.53			1,54	1.78	0.2
Bursary				-	-		0.15	0.15	0.20	0.0
Research			-	0.25	0.01	40	0.09	0.35	0.60	0.2
Land Based Training	0.41	0.30	0.77	-	0.21	0.45	0.01	2.16	8.00	5.8
New Forest Opportunities Ltd.		-	-	2.77				2.77	6.50	3.7
Jobs and Timber Accord Advocate		-	-	0.93	-	-		0.93	0.50	0.4
Other Proposals		-	-	-	-		0.03	0.03	-	10.0
SUBTOTAL	1.19	0.98	0.91	9.75	1.01	0.45	0.40	14.70	28.64	13.
ASSIST FOREST-DEPENDENT COMMUNITY	ES THROUGH	TRANSITION								
Forest Worker Transition	2.32	3.54	2.91	42.93	1.82	2.88	0.16	56.56	37.90	(18.6
Forest Community Business	0.35	0.80	0.38	0.83	0.60	0,55	0.55	4.05	4.35	0.3
Forest Community Economic Development	0.44	0.52	0.32	1.31	0.87	0.67	0.24	4.37	9 00	4.6
Regional Advisory Process	0.07	0.02	0.02	0.14	0.02	0,07	0.02	0.36	0.63	0.2
Research	-	-	0.32	0.25		0.14	0.03	0.75	0.83	0.0
Forests Excellence Awards	-	-	-	-	100		0.06	0.06	0.15	0.0
Other Proposals	0.01	-	-	-	-	-	0 03	0.04	0.10	0.0
SUBTOTAL	3.19	4.88	3.95	45.46	3.31	4.32	1.09	66.19	52.96	(13.2
TOTAL	40.92	38.78	72.05	168.79	39.01	47.88	55.76	463.19	517.48	54.2
PROVINCE WIDE ALLOCATION	5.92	7.02	10.40	18.39	6.40	7.65	(55.76)	0	1.4	
I HERRITAR MINE HERR STRIKE										

Note: Innovative Forest Practices Agreements: Enhanced Forest Management Prior Projects

Achieveneus de Cristanie Objective

#### STRATEGIC OBJECTIVE 1

#### Sustainable harvest

Total Planned Investment: \$184.9 million

Total 1998/99 Investment: \$156.3 million

In 1998/99, Forest Renewal BC allocated \$184.9 million to programs designed to increase the sustainable harvest. These included activities in the Enhanced Forestry, Backlog Silviculture, Bridge Replacement, Innovative Forest Practices Agreements and Enhanced Forest Management Pilot Projects, Woodlot Expansion, Small Woodlands, and Operational Tree Improvement programs.

The programs were expected to result in treatments on 172,000 hectares of forest land, replacement of 250 bridges, and

#### **ENHANCED FORESTRY PROGRAM**

Planned Investment: \$80.4 million 1998/99 Investment: \$53.2 million

Work under this program increases the wood value and volume of the province's second-growth forests. Forest Renewal BC-funded management treatments, which are above and beyond forest tenure-holders' legal obligations, are planned and approved by professional foresters. The objective of these treatments is to maintain or enhance the wood quality, growth rates, and piece size of the new forests, while

	Cariboo- Chilcotin	Kootenay- Boundary	Omineca- Peace	Pacific	Skeena- Bulkley	Thompson- Okanagan	Province wide	Total
PROGRAM								
Enhanced Forestry	6.20	4.55	6.64	19.15	6.93	7.01	2.71	53.18
Backlog Silviculture	7.08	6.49	22.14	9.40	7.87	6.52	0.88	60.39
Bridge Replacement	1.19	6.47	2.72	3.56	2.34	5.01	0.13	21.41
IFPAs / EFMPPs / Other	8.23	1.02	-	1.12	2.07	2.01	0.97	15.42
SUBTOTAL	22.70	18.52	31.50	33.23	19.21	20.55	4.68	150.4
Woodlot Expansion	0.48	0.37	0.62	0.30	0.26	0.68	0.17	2.86
Small Woodlands	-	-	-	-	-	-	0.08	0.00
Operational Tree Improvement	•	-	-	-	-	-	3.00	3.0
SUBTOTAL	0.48	0.37	0.62	0.30	0.26	0.68	3.25	5.9
TOTAL	23.17	18.89	32.12	33.53	19.47	21.23	7.94	156.34
OUTPUTS								
Employment (person-years reported)	362	253	495	475	302	313	119	2,319
Hectares treated	32,024	17,279	23,419	24,114	24,980	20,606	-	142,42
Bridges replaced	6	80	18	27	28	80	40	279

Innovative Forest Practices Agreements/Enhanced Forest Management Pilot Projects

Reported by proponent plus co-efficient based estimate for ministry staff employed on services agreements. (See page 26)

Figures may not add due to rounding.

3,800 person-years of direct employment. By the end of the fiscal year. Forest Renewal BC investments had paid for the treatment of 142,422 hectares of forest land and the replacement of 279 bridges. They had also created 2,319 person-years of direct employment. These results are summarized in Table 2: Sustainable Harvest 1998/99.

Employment achievements and the reasons for variances between projected and actuals are discussed on page 26. recognizing present and future social and environmental values. Producing faster-growing, individually larger trees can reduce the number of years to harvest.

The productive capacity of forests is enhanced by investments in stand tending, including stand improvement, spacing, pruning, fertilizing, and forest health activities. It is also enhanced by continuous improvements in knowledge



In 1998/99, Forest Renewal BC allocated \$184.9 million to programs designed to increase the sustainable harvest. These included activities in the Enhanced Forestry, Backlog Silviculture, Bridge Replacement, Innovative Forest Practices Agreements and Enhanced Forest Management Pilot Projects, Woodlot Expansion, Small Woodlands, and Operational Tree Improvement programs.

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	Cariboo- Chilcotin	Rootenay- Boundary	Omineca- Peace	Pacific	Skeena- Bulkley	Thompson- Okanagan	Prevince wide	Total
PROGRAM								
Enhanced Forestry	6.20	4.55	6.64	19.15	6.93	7.01	2.71	53.18
Backlog Silviculture	7.08	6.49	22.14	9.40	7.87	6.52	0.88	60.39
Bridge Replacement	1.19	6.47	2.72	3.56	2.34	5.01	0.13	21.41
IFPAs / EFMPPs '/ Other	8.23	1.02	-	1.12	2.07	2.01	0.97	15.42
SUBTOTAL	22.70	18.52	31.50	33.23	19.21	20.55	4.68	150.40
Whodlet Expansion	0.48	0.37	0.62	0.30	0.26	0.68	0.17	2.86
Small Woodlands	-	-	-	-	-	-	0.08	0.08
Operational Tree Improvement			-	-	-	-	3.00	3.00
SUBTOTAL	0.48	0.37	0.62	0.30	0.26	0.68	3.25	5.94
TOTAL	23.17	18.89	32.12	33.53	19.47	21.23	7.94	156.34
OUTPUTS Employment (person-years reported) <sup>2</sup>	362	253	495	475	302	313	119	2.319
Employment (person-years reported):	32,024	17,279	23,419	24,114	24.980	20.606	4	142,423
Bridges replaced	STATE	80	18	27	28	80	40	279
	Shirt Co.	1000			20			477
Innovative Forest Practices Agreements/Enhanced Forest National Property of Proportion of the Community of t	r amin'ny Staff emp	opects loyed on services	operatis. (Se	e page 26)				
Figures may not add due to rounding.								

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Employment achievements and the reasons for variances between projected and actuals are discussed on page 26.

recognizing present and future social and environmental values. Producing faster-growing, individually larger trees can reduce the number of years to harvest.

The productive capacity of forests is enhanced by investments in stand tending, including stand improvement, spacing, pruning, fertilizing, and forest health activities. It is also enhanced by continuous improvements in knowledge

(e.g., through studies, training materials, and monitoring operational-scale trials of forest management activities).

In total, Enhanced Forestry Program treatments made in 1998/99 are expected to result in 1.6 million cubic metres (m') of timber for potential future harvest. During this fiscal year, stand management activities were undertaken on



651,928 hectares. This included forest health treatments on 28,524 hectares, juvenile spacing on 26,087 hectares, pruning on 3,808 hectares, fertilization on 14,952 hectares, and surveys, prescriptions and layouts on 78,323 hectares. Forest Renewal BC also funded other activities on 500,234 hectares – the majority being aerial surveys, forest health ground surveys and forest health aerial surveys.

These numbers may not be consistent with those projected in the 1998/99 Business Plan. Fewer activities are summarized in the Business Plan, which focused on selected key success factors.

Investments under this program have accounted for a major share of Forest Renewal BC spending since 1994, and this focus on increasing the productive capacity of B.C.'s forests will continue.

#### **BACKLOG SILVICULTURE PROGRAM**

Planned Investment: \$60.0 million 1998/99 Investment: \$60.4 million

Over the next 15 years, Forest Renewal BC is investing \$250 million to reforest approximately 250,000 hectares of Crown forest lands that were either harvested prior to October 1, 1987 (i.e., before tenure-holders became fully responsible for reforesting logged lands), or were disturbed by natural causes, such as wildfire and beetle kill.

This potentially productive forest land – much of it in northern and central B.C. – is not considered by the Ministry of Forests to support sufficient numbers of healthy young trees available for future harvesting. Backlog silviculture is expected to restore these forest lands to the productive timber land base, thereby helping to stabilize the future timber supply.

In 1998/99, planning and surveying were completed for 353,921 hectares of land. Treatments were carried out on 57,923 hectares (including site preparation on 6,185 hectares, and reforestation, brushing and weeding activities on 38,885 hectares). Forest Renewal BC estimates that these activities will result in 3.5 million m' of future timber supply.

#### **BRIDGE REPLACEMENT PROGRAM**

Planned Investment: \$18.0 million 1998/99 Investment: \$21.4 million

This program funds rehabilitation or replacement of bridges on B.C. Forest Service roads which provide critical access to silviculture and harvesting sites or represent a threat to stream habitat because of their state of deterioration (including road and bridge maintenance work contracted to the Ministry of Forests). In 1998/99, 279 bridges were replaced.

Note: This program is being phased out, since it does not contribute directly to Forest Renewal BC's strategic objectives.

## INNOVATIVE FOREST PRACTICES AGREEMENTS/ENHANCED FOREST MANAGEMENT PILOT PROJECTS/OTHER

Planned Investment: \$17.6 million 1998/99 Investment: \$15.4 million

Innovative Forest Practices Agreements and Enhanced Forest
Management Pilot Projects, undertaken by licensees, test innovative
or new treatment regimes. Both types of agreements are designed to
improve forest productivity and sustainability over the long term.
By March 1999, four agreements and four pilot projects were
underway. Two more are expected during the next year.

#### **WOODLOT EXPANSION PROGRAM**

Planned Investment: \$3.1 million

1998/99 Investment: \$2.9 million

The objective of this program is to double the number of woodlot licences in the province, which will expand opportunities for individual involvement in small-scale forestry and increase the amount of private land under forest management. Support, in the form of forest management training and other services, is also provided to the new licence holders.

During this last year, which completed the Woodlot Expansion Program, the Ministry of Forests was able to advertise 13 new woodlot licences, evaluate 44 new applications, and issue 175 new licences.

#### **SMALL WOODLANDS PROGRAM**

Planned Investment: \$0.5 million

1998/99 Investment: \$0.08 million

This program is designed to expand the area of productive forest lands in the province by informing landowners about opportunities that are available through forest management and encouraging them to manage their lands for small-scale forestry. This will increase rural income and local jobs, and help stabilize rural communities.

The program is currently under development: Forest Renewal BC has contracted for program administration and management. The program provides a more supportive business climate for small-scale forestry by funding extension services, information management and access services, and organizational development support.

#### OPERATIONAL TREE IMPROVEMENT PROGRAM

Planned Investment: \$5.2 million

1998/99 Investment: \$3.0 million

Increasing the productive capacity of forests while maintaining their genetic diversity depends on preserving seed from the most adaptable trees in both wild and cultivated stands. Working in cooperation with the British Columbia Tree Improvement Council, Forest Renewal BC invested in a program to breed seedlings for qualities such as rapid growth, disease resistance and high density. Over time, the use of improved seed is expected to contribute 1.1 million m³ to the available timber supply. Over the life of the current five year Strategic Plan, Tree Improvement Program activities are projected to provide up to 30 per cent of the targeted increase in timber supply.

#### STRATEGIC OBJECTIVE 2

#### **Enhance environmental values**

Planned Investment: \$111.6 million
1998/99 Investment: \$103.2 million
In 1998/99, Forest Renewal BC allocated
\$111.6 million to activities that will enhance
environmental values and stewardship of B.C.'s
forest lands. Programs under this objective
include Watershed Restoration, Recreation,
Private Forest Biodiversity, Crown Land-Use
Planning Enhancement, and the Ecosystem
Restoration Pilot. Fisheries Renewal BC is also
funded under this objective.

These programs were expected to result in deactivation of 8,050 kilometres of road, restoration of 840 kilometres of stream, improvements to 259 recreation sites, and the creation of 1,100 person-years of direct employment. By the end of the year, 4,741 kilometres of road had been deactivated, 969 kilometres of stream had been restored, 282 recreation sites had been improved, and 958 person-years of direct employment had been created. Results are summarized in Table 3: Enhance Environmental Values 1998/99. (See page 26 for explanation of employment variances.)

#### WATERSHED RESTORATION PROGRAM

Planned Investment: \$76.2 million 1998/99 Investment: \$70.9 million

This program, to restore watersheds damaged by past harvesting practices, continues to be the cornerstone of Forest Renewal BC's environmental enhancement strategy. Watershed restoration and enhanced forestry were two of the first programs launched by the corporation in the summer of 1994. Work includes deactivating logging roads, rehabilitating slopes, riparian areas and streams, and restoring wildlife and fish habitat.

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	Caribos-	Reetenay-	Omineca-	Pacific	Skeena-	Thompson-	Province	Total
	Chilcotia	Boundary	Peace	Pacific	Bulkiey	Okanagan	wide	1012
PROGRAM								
Watershed Restoration	4.56	4.59	5.93	37.64	5.93	8.74	3.50	70.88
Recreation	1.26	0.81	1.39	16.16	1.27	1.17	0.05	22.10
SUBTOTAL	5.82	5.39	7.32	53.80	7.20	9.90	3.55	92.9
Fisheries Renewal BC	-	-	~	-	-	60	7.50	7.50
Private Forest Biodiversity	-	-	-	-	-	-0	0.04	0.0
Crown Land-Use Planning	-	-	-	-	-	-	2.60	2.6
Ecosystem Restoration Pilot	-	-	-	-	-		0.01	0.0
Other Proposals	-	-	-	400	805	-	0.03	0.0
SUBTOTAL	-		-	-	-	-	10.18	10.1
TOTAL	5.82	5.39	7.32	53.80	7.20	9.90	13.73	103.1
OUTPUTS								
Employment (person-years reported)	58	61	94	494	70	121	59	95
Kilometres of road deactivated	1,111	751	456	1,523	474	426	-	4,7
Kilometres of streams restored	157	90	120	396	63	143	-	96
Recreation sites improved	27	61	82	29	53	30	0	28

Differences between *Business Plan* estimates and reported values are due to:

- a variance between the Business Plan and work plans, which reflects differences between projected estimates and identified, planned work,
- examination of the site can reveal that
  projected work is not required. The decision
  to do nothing in these cases is the correct
  action, but it is not counted toward
  completion of the goal,
- Access Management Plans, which are required prior to major deactivation, may reveal public concerns that must be incorporated. At the Access Management Plan meetings in the Thompson-Okanagan Forest Region, for instance, the public (i.e., ranchers, hunters, and mineral claim-holders) expressed concerns about maintaining access during deactivation, so not as much was done as planned, and
- insufficient planning, reallocation to other work, and reporting variances account for

some of the differences, as do delays in start-up, in reporting completion of the work, and in receiving assurance that the work was completed to specified quality.

During this year, 4,741 kilometres of road rehabilitation and deactivation work, and 2,890 hectares of hillslope and gully restoration were completed. Six detailed assessments were done for another 859 kilometres of road rehabilitation and 36,669 hectares of hillslope rehabilitation. These up-slope planning and treatment achievements exceed the *Business Plan* targets, and are in line with the additional expenditures for these activities.

On in-stream and riparian work, a total of 969 kilometres of stream rehabilitation and 1.625 hectares of riparian restoration work was completed. Planning and detailed assessment of 11.283 kilometres of stream rehabilitation and 580 hectares of riparian restoration were also completed.

#### RECREATION PROGRAM

Planned Investment: \$23.2 million

1998/99 Investment: \$22.1 million

This program helps to develop forest recreation opportunities that contribute to British Columbians' knowledge and recreational enjoyment of our forests. Forest Renewal BC provided funding again

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	Chilcotta	Breakery	Balanca- Pence	Pacific	Shorte- bulkley	Thompson- Ohanoyea	Provident	Total
PROGRAM								
Watershed Restoration	4.56	4.59	5.93	37.64	5.93	8.74	3.50	70.88
Recreation	1.26	0.81	1.39	16.16	1.27	1.17	0.05	22.10
SUBTOTAL	5.82	5.39	7.32	53.80	7.20	9.90	3.55	92.98
Fisheries Renewal DC	-	-	-	-	-	-171	7.50	7.50
Private Forest Biodiversity	100-10	-	-	-	-	-	0.04	0.04
Crown Land-Use Planning	7 1 - 7	-	-	Case	-	-	2.60	2.60
Ecosystem Restoration Pilot	-00	4	-	-	-	Gas.	0.01	0.01
Other Proposals	-	4	-	•	-	-	0.03	0.03
SUBTOTAL		-	-	-	-	-	10.18	10.18
TOTAL	3.82	5.39	7.32	53.80	7.20	9.90	13.73	103.16
OUTPUTS		1.353	- 1 3				Maria	
Employment (person-years reported) <sup>1</sup>	58	61	94	494	70	121	59	958
Kilometres of road deactivated	1,111	751	456	1,523	474	426		4,741
Kilometres of streams restored	157	90	120	396	63	143	-	969
	20	61	82	29	53	30	0	282

Differences between Business Plan estimates and reported values are due to:

- · a variance between the Business Plan and work plans, which reflects differences between projected estimates and identified, planned work.
- examination of the site can reveal that projected work is not required. The decision to do nothing in these cases is the correct action, but it is not counted toward completion of the goal,
- · Access Management Plans, which are required prior to major deactivation, may reveal public concerns that must be incorporated. At the Access Management Plan meetings in the Thompson-Okanagan Forest Region, for instance, the public (i.e., ranchers, hunters, and mineral claim-holders) expressed concerns about maintaining access during deactivation, so not as much was done as planned, and
- insufficient planning, reallocation to other work, and reporting variances account for

some of the differences, as do delays in start-up, in reporting completion of the work, and in receiving assurance that the work was completed to specified quality.

During this year, 4,741 kilometres of road rehabilitation and deactivation work, and 2,890 hectares of hillslope and gully restoration were completed. Six detailed assessments were done for another 859 kilometres of road rehabilitation and 36,669 hectares of hillslope rehabilitation. These up-slope planning and treatment achievements exceed the Business Plan targets, and are in line with the additional expenditures for these activities.

On in-stream and riparian work, a total of 969 kilometres of stream rehabilitation and 1,625 hectares of riparian restoration work was completed. Planning and detailed assessment of 11,283 kilometres of stream rehabilitation and 580 hectares of riparian restoration were also completed.

#### **RECREATION PROGRAM**

Planned Investment: \$23.2 million 1998/99 Investment: \$22.1 million

This program helps to develop forest recreation opportunities that contribute to British Columbians' knowledge and recreational enjoyment of our forests. Forest Renewal BC provided funding again in 1998/99 to both the Ministry of Forests and BC Parks (under the Ministry of Environment, Lands and Parks) to enhance forest recreation management and forest-based recreation and tourism opportunities in British Columbia.

By the end of the year, project funding had made possible improvements to 282 recreation sites, including access trails and campgrounds, as well as 26 recreation management plans.

#### **FISHERIES RENEWAL BC**

Planned Investment: \$7.5 million 1998/99 Investment: \$7.5 million

Forest Renewal BC provided a \$7.5 million grant in 1998/99 to Fisheries Renewal BC, a Crown corporation created to lead the renewal of British Columbia's fisheries resource. The corporation works with partners to make strategic investments in programs that improve fish stocks and habitat, develop new fisheries, diversify and market products and services, create jobs, and strengthen fishing communities through training, education and technological development.

As a separate Crown corporation, Fisheries Renewal BC reports independently, on an annual basis, on its investments and achievements.

#### PRIVATE FOREST BIODIVERSITY PROGRAM

Planned Investment: \$1.5 million 1998/99 Investment: \$0.04 million

This program supports the acquisition of interests in private lands to conserve biodiversity, in collaboration with the Nature Trust of B.C. The goals of the program include conserving sites that have unique or exceptional biodiversity attributes, fostering private- and public-sector funding and management partnerships, and providing educational and research opportunities.

The first investment made under this program was the purchase of the Empire Valley Ranch in 1997, B.C.'s largest single acquisition of private land for parks purposes. That purchase was recommended by the Cariboo-Chilcotin Land-Use Plan to preserve the rich biodiversity of the land in the heart of Churn Creek and increase certainty about the forest land base.

Acquisitions under this program are only considered when appropriate lands are identified and recommended by the Nature Trust of B.C. No acquisitions were made during 1998/99.

### CROWN LAND-USE PLANNING ENHANCEMENT PROGRAM

Planned Investment: \$3.0 million 1998/99 Investment: \$2.6 million

The purpose of this program is to sustain an effective pace of strategic land-use planning (e.g., Land and Resource Management Plans, which help build a secure foundation for land-based investments, long-term job creation, and community transition). This program supports the development of information, data, and planning tools to improve land-use planning, educate those who participate in the planning process, and monitor the implementation of land-use plans.

### ECOSYSTEM RESTORATION PILOT PROGRAM

Planned Investment: \$0.2 million 1998/99 Investment: \$0.01 million This program is under development.

#### OTHER PROPOSALS

Planned Investment: None
1998/99 Investment: \$0.03 million
"Other Proposals" funding is used to support activities that do not clearly fit into any one of the structured programs under this strategic objective.

#### STRATEGIC OBJECTIVE 3

#### Enhance our knowledge of the forest

Planned Investment: \$117.1 million
1998/99 Investment: \$106.2 million
In 1998/99, Forest Renewal BC allocated
\$117.1 million to activities to enhance our
knowledge of the forest. This included work
under the Resource Inventory, Research and
Endowment programs which was expected to
include 938 projects, 97 research studies, inventories of more than 35 million hectares, and the
creation of 1,500 person-years of employment.



By the end of the fiscal year, Forest Renewal BC funding had supported the completion of 111 research studies and inventories of 55.6 million hectares, resulting in the creation of 1,230 person-years of direct employment. Results are summarized in Table 4: Enhance our Knowledge of the Forest 1998/99. (See page 26 for explanation of employment variances.)

#### RESOURCE INVENTORY PROGRAM

Planned Investment: \$90.6 million 1998/99 Investment: \$88.2 million

Forest Renewal BC has been a major investor in resource inventories, which are vital for improving forestry decision-making and the intewhich are vital to forest resource planning and decision making, and to the integration of non-timber resource values into decision-making processes.

#### RESEARCH PROGRAM

Planned Investment: \$25.2 million

1998/99 Investment: \$17.6 million

Forest Renewal BC continued to invest, during 1998/99, in forest-related research to address key forest management problems facing the sector. The corporation funded 192 projects, of which 111 were completed. Less funds were expended than planned due to a combination of delayed start-ups and project extensions. Examples of projects funded included:

 a project to improve yellow-cedar propagation. By studying seed dormancy mechanisms, this research has identified specific treatments to break dormancy and promote germination.

TABLE 4 INHANCE OUR KNOWLED	Ci Ot intil	REST 100	8 00 (MI	110 NS1				
	Cariboo- Chilcotin	Rootenay- Boundary	Omineca- Peace	Pacific	Skeena- Bulkley	Thompson- Okanayan	Province wide	Total
PROGRAM								
Resource Inventory	6.71	6.07	24.84	13.74	7.21	10.25	19.35	88.17
Research	0.52	0.96	2.08	8.69	0.63	1.50	3.21	17.59
Endowment	-	-	0.37	-	-	-	0.07	0.45
TOTAL	7.23	7.03	27.29	22.43	7.84	11.75	22.63	106.21
OUTPUTS								
Employment (person-years reported)'	90	94	320	243	83	158	241	1,230
Hectares inventoried (000s) <sup>2</sup>	3,632	4,656	28,733	3,630	3,245	11,727	-	55,622
Research studies completed	1	6	15	62	7	21	-	111

Notes: Reported by proponent plus co-efficient based estimate for ministry staff employed on services agreements. (See page 26)

Hectares inventoried now excludes the activities AOA (sites), TRIM II (map sheets), TUS (plans/reports/studies), and WQT (plans/reports/studies)

Figures may not add due to rounding

gration of non-timber resource values under the Forest Practices Code. Resource inventory investment priorities this year continued to focus on gathering the information necessary for forest development planning and timber supply analyses – such as fish and fish habitat work and vegetation inventories – as well as planning tools such as maps and training materials.

The Resource Inventory Program invests in work that increases the quantity and improves the quality of resource inventory information,

- a project to develop operational guidelines that will enable better assessments of the surface erosion hazard on forest roads and landings, and in ditches, and
- a study to test native seed mixtures primarily grasses, legumes and sedges – for rehabilitation and ecosystem restoration across the northern Interior of B.C.

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PROGRAM	LES IN						Diel.	
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OUTPUTS	E1104/19	-1 400		- 42-7		-2327	\$2000E	
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Research studies completed		. 6	15	62	7	21	-4	111

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- a study to test native seed mixtures primarily grasses, legumes and sedges – for rehabilitation and ecosystem restoration across the northern Interior of B.C.

#### **ENDOWMENT PROGRAM**

Planned Investment: \$1.3 million 1998/99 Investment: \$0.5 million

Forest Renewal BC is providing funding to degree-granting educational institutions through-out the province to launch new programs in forestry-related research, teaching and extension. The programs must specifically address issues that will contribute to achieving Forest Renewal BC's mandate. In 1998/99, start-up funding was provided for three new programs:

- Forest Renewal BC Chair in Terrain Analysis and Forest
  Geoscience, Simon Fraser University. This program will focus
  teaching and research on critical geoscience challenges facing the
  forest industry, such as improving the understanding of terrain
  stability problems, and increasing the availability of highly trained
  geoscience specialists.
- Mixed-Wood Ecology and Management Program, University
  of Northern British Columbia. This program is designed to
  improve understanding of the ecology and diversity of northern
  mixed-wood forests and develop management approaches
  that will sustain the timber resource while maintaining
  environmental values.
- Forest Growth and Yield, University of Northern British
  Columbia. This program will build the knowledge base for
  accurate forecasting of timber production of northern forest
  ecosystems and tree species.

Funding under this program was also continued in 1998/99 for the University of British Columbia and the British Columbia Institute of Technology's joint Advanced Papermaking Initiative, which was established a year earlier.

#### STRATEGIC OBJECTIVE 4

#### Strengthen the value-added sector

Planned Investment: \$22.4 million 1998/99 Investment: \$16.6 million

The value-added wood products manufacturing sector is quickly becoming a key component of the modern forest economy in B.C. In 1997 (the last year for which there are statistics), the industry recorded sales of \$2.69 billion. There were jobs for 14,400 B.C. workers, at some 683 firms, and the quality of the products they were producing – from log homes to furniture, to new engineered wood materials – was internationally recognized.

Responding to the growing size and potential of the industry, Forest Renewal BC and a wide cross-section of industry stakeholders examined the sector to determine how best to accelerate growth and development. The new, coordinated, province-wide Value-added Strategy that was announced in June 1998 identified five key areas of investment: strengthening industry infrastructure, marketing, technology, training, and business development.

With the strategy in place, the programs previously grouped under the "Diversification" envelope were centralized under a Value-added business unit, and renamed Value-added Programs. These are: Value-added Marketing, Value-added Business Development, Value-added Training, Research, Technology Transfer, Industry Infrastructure, and Forestry Innovation Development.

During 1998/99, Forest Renewal BC also worked with industry to develop a series of performance measures to help define and quantify the success of the corporation's value-added investments. The process identified five goals:

- · To achieve increases in total industry sales.
- · To achieve cost savings through training.
- To improve the ability of industry to attract financing.
- To increase the number of firms participating in Value-added Programs.
- To increase the amount of fibre that is transferred to value-added manufacturers.

In 1998/99, \$16.6 million was invested in the Value-added Programs, assisting 502 businesses, funding 241 projects and 46 technical seminars, and creating 166 person-years of direct employment. Fifty-five marketing studies were also completed. Investments were lower than anticipated by the 1998/99 Business Plan, however, for two reasons. First, the Value-added Program



	Cariboo- Chilcotia	Rootensy- Boundary	Omineca- Peace	Pacific	Skeena- Bulkley	Thompson- Okanayan	Province wide	Tetal
PROGRAM								
Value-added Marketing	con	0.13	0.10	1.86	0.02	0.01	4.27	6.40
Value-added Business Development	-	400	-	-	-	-	2.18	2.18
Value-added Training	0.27	1.21	0.17	0.59	0.13	0.07	2.20	4.64
Research	0.01	0.07	-	0.94	0.03	-	0.01	1.07
Technology Transfer	640	190	-	-	-	-	0.72	0.72
Industry Infrastructure	0.02	0.19	0.20	0.41	-	0.15	0.60	1.58
TOTAL	0.31	1.60	0.46	3.81	0.18	0.23	9.98	16.59
OUTPUTS								
Projects	24	26	39	43	18	28	63	241
Employment (person-years – coefficient-based) <sup>1</sup>	3	16	5	38	1	3	100	166
Marketing studies	40	-	-	-	-	-	-	55
Businesses assisted	-	-	39	103	-	40	320	502
Technical seminars	-	-	-	-	rae	-	-	46

Notes: 'BC Stats 1996/97 coefficient of cost/person-year for each program and region.

Figures may not add due to rounding.

investments did not begin until after the strategy was announced in June. Second, some value-added producers suffered financial difficulties following the decline in construction activity in Japan, so there was less-than-anticipated use of some programs, particularly training. Over five years. Forest Renewal BC expects that implementing the strategy will lead to an increase in sales growth for participating firms of 10 percentage points over the expected industry growth of 20 per cent. Results are summarized in Table 5: Strengthen the Value-Added Sector 1998/99.

#### VALUE-ADDED MARKETING PROGRAM

Planned Investment: \$7.0 million 1998/99 Investment: \$6.4 million

The objective of the Value-added Marketing Program is to increase domestic and international demand for B.C.'s value-added wood products, by helping groups of manufacturers improve their marketing programs and their research and development activities. During 1998/99, important work continued with the industry cost-shared promotion of Coastal hemlock: Interior spruce, pine and fir, as well as plywood in the Japanese market. Forest Renewal BC investments to maintain and increase sales for these products in Japan helped reduce the impact on the B.C. industry of the slowdown in the Japanese economy. A significant investment was also made in a provincial market development program designed for finished and semi-finished wood products manufacturers and managed by B.C. Wood Specialties Group.

A successful marketing forum and trade show, held for B.C. furniture manufacturers, was attended by more than 200 designers, furniture and component manufacturers. Participants reported that new business opportunities and partnerships resulted from the event.

The 55 marketing studies that were undertaken during 1998/99 included a series of detailed studies, implemented as a partnership between Forintek Canada Corp. and the University of British Columbia, to identify the fundamentals of Japanese wood-product markets for furniture, flooring, windows, outdoor furniture, and decking. Results of this study were extended to more than 690 industry members. Another study gathered market intelligence on opportunities in India for B.C.'s value-added manufacturers, which is expected to result in the development of a new market for the B.C. industry.

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alue-added Business Development		-	-	4	Gen.	<b>₩</b>	2.18	2.18
latue added Training	0.27	1.21	0.17	0.59	0.13	0.07	2.20	4.64
lesearch	0.01	0.07	-	0.94	0.03	- 101	0.01	1.07
echnology Transfer		- 4	112	4.1	-	-,1	0.32	0.72
idustry Infrastructure	0,02	0.19	0.20	0.41	-	0.15	0.00	1.58
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#### **VALUE-ADDED BUSINESS DEVELOPMENT PROGRAMS**

Planned Investment: Revolving Fund 1998/99 Investment: \$2.2 million

Value-Added Business Finance Program. This program was designed to help value-added businesses to obtain financing for the purchase of new equipment. Following a proposal call to chartered banks and Community Futures Development Corporations, the Canadian Imperial Bank of Commerce was selected as the financial partner for the program. The program will be underway in 1999/2000.

Forest Innovation Development Program. This program, which is now in its second year, invests in the development or adaptation of new forestry products or processes that are commercially viable.

- Financial support for business mentoring and business-research
  partnerships to assist individuals or companies with the initial
  development of a new and innovative idea. One of 31 projects
  initiated in1998/99 was a product assessment for a new actuator
  design invented in Fraser Lake, BC. This pneumatic actuator,
  which controls the lumber in-feed system, is more durable than
  conventional actuators now in use in sawmills.
- The Innovation Development Fund provides investment funding
  for individuals or companies to take a new product or process to
  the commercial production stage. The money invested must be
  repaid and is returned to the fund for reinvestment. Investments
  were made in five projects in 1998/99. One of these projects is
  developing a new statistical process for sawmilling applications to
  improve fibre recovery and machine utilization.

#### **VALUE-ADDED TRAINING PROGRAM**

Planned Investment: \$8.3 million 1998/99 Investment: \$4.6 million

Considerable effort was spent during this year to determine the training needs of the value-added industry. The result was a comprehensive, provincial training plan that highlighted a range of training needs, from specific machine-centre courses, to product positioning and pricing.

Expenditures were somewhat lower than anticipated in 1998/99 during the assessment phase, but investments have continued in the Value-added Skills Centre at Abbotsford. The centre moved to a cost-share formula with the value-added sector and trained 654 people. Cost sharing with training participants:

- helps ensure that courses are valued (i.e., relevant to industry needs),
- · ensures the commitment of participants, and
- is fiscally responsible and further leverages funding.

In 1998/99, a total of 1,613 workers received training under the Value-added Training Program.

During 1998/99, management of this program was moved to the value-added business unit from the workforce business unit, to more closely align it with the priorities of the value-added industry.

#### RESEARCH PROGRAM

Planned Investment: \$1.3 million
1998/99 Investment: \$1.1 million
Investments through the Research Program are
non-proprietary and have focused on the broad
areas of product and equipment development,
and manufacturing processes. In 1998/99, Forest
Renewal BC invested in 12 value-added research
and extension projects.

They included:

- a study, conducted at the University of British
  Columbia, in partnership with Canadian
  Forest Products Ltd. and BC Chemicals, to
  research the use of enzymes for removing
  lignin from cellulose waste. (Lignin, which
  creates much of the rigid component of fibre,
  is difficult to break down.) For the pulp and
  paper industry, this could mean using fewer
  chemicals and lower temperatures, which
  would save energy and reduce chemical
  effluents, and
- a study of performance and value enhancement of B.C. plywood products for specific markets and applications in Japan.
   The most promising new plywood products – thick panels for long-span flooring applications – showed excellent performance in relation to established benchmarks.

#### **TECHNOLOGY TRANSFER PROGRAM**

Planned Investment: \$1.4 million 1998/99 Investment: \$0.7 million

The objective of this program is to provide technical assistance and information in areas critical to the value-added sector, such as lumber drying, wood machining, gluing, wood properties, industrial process engineering, materials handling, and quality control. The program, which was developed jointly by Forest Renewal BC, Forintek Canada Corp., and University College of the Cariboo, was launched in 1998.

Forest Renewal BC's investment supported the recruitment of manufacturing specialists and more than 350 in-plant assistance visits across the province, under the direction of a broad-based industry steering committee. Of the 48 plant-specific projects that were started, 27 involved plant layout and material flow issues. Eighteen of those projects were successfully completed.

## VALUE-ADDED INDUSTRY INFRASTRUCTURE PROGRAM

Planned Investment: \$2.8 million 1998/99 investment: \$1.6 million

This program is designed to help diversify the value-added industry and support its growth. Some of the projects that Forest Renewal BC funds through the program include product development and other types of needs analyses, wood forums and conferences, and association development activities. In some of the latter, economies of scale have helped reduce the cost of doing business for small and medium-sized businesses.

During 1998/99, log-home builders were added to the range of industry types that are assisted under this program. Other work included the presentation of 46 technical seminars and regional wood forums across the province, and continued monitoring of the Canada/U.S. Softwood Lumber Agreement.

#### STRATEGIC OBJECTIVE 5

### Create and maintain sustainable forest jobs

Planned Investment: \$28.7 million 1998/99 Investment: \$14.7 million

Forest Renewal BC provides funds to employers, employer groups and associations, and labour organizations to help them identify training needs, establish training priorities and provide or deliver skills training and upgrading to forest workers. By providing workers with the skills they need for the jobs that are available, this training and upgrading enhances worker employability.

In 1998/99, \$28.7 million was budgeted for these training initiatives, and investments were expected to generate 375,000 hours of training to train 9,500 workers. By the end of the fiscal year, \$14.7 million had been invested. A total of 11,708 workers took a total of 534,258 hours of training. Results are summarized in Table 6: Create and Maintain Sustainable Forest Jobs 1998/99.

#### FOREST WORKER EMPLOYMENT AGENCY

Planned Investment: \$0.5 million 1998/99 Investment: \$0.05 million

The Forest Worker Employment Agency was envisioned in the BC Forest Renewal Amendment Act, 1996 (which was passed but not proclaimed) to be a means by which the Board of Forest Renewal BC could match eligible British Columbia forest workers to jobs on Forest Renewal BC-funded projects, and facilitate priority hiring for eligible British Columbia forest workers.

#### NEW FOREST OPPORTUNITIES LTD.

Planned Investment: \$6.5 million 1998/99 Investment: \$2.8 million

Forest Renewal BC established New Forest Opportunities Ltd. in early 1998 as a forest worker employment agency in the Pacific Region. Its mandate is priority hiring of displaced forest workers on corporation-funded projects in Coastal B.C. New Forest was also contracted to act as the delivery agent in the region for the Forest Worker Transition Program. Although extensive negotiations took place with industry, labour and other stakeholders in the other regions, no agency has yet been established for the rest of the province.

According to its 1998/99 Annual Report, New Forest
Opportunities Ltd. provided land-based skills training to 483
workers. It also placed a total of 1,420 workers in 3,115 work opportunities on 334 land-based projects funded by Forest Renewal BC.

	Cashee- Chilcorie	Bankley Bankley	Omineca- Peace	redit	Shess- bulkley	Thempoor- Oknosym	President	Total
PROCESSA								
Forest Worker Employment Agency	-	de	-	3.70	-	-	0.05	3.75
Forest Worker Employment and Training	0.78	0.07	0.03	0.92	0.23	-	0.06	2.09
Sectoral Training	-	0.22	-	4.36	0.04	900	0.01	4.63
Forest and Resource Technology		0.39	0.11	0.52	0.53	-	-	1.54
Bursary	-	-	-	-	-	-	0.15	0.15
Research	-	-	-	0.25	0.01	140	0.09	0.35
Land-Based Training	0.41	0.30	0.77	-	0.21	0.45	0.01	2.16
Other Proposals	-	-	-	-	-	-	0.03	0.03
TOTAL	1,19	0.98	0.91	9.75	1.01	0.45	0.40	14.70
OUTPUTS <sup>1</sup>	39552.2							
Workers trained	1,384	1,800	701	4,097	276	215	3,235	11,708
Hours of training	39,376	143,112	67,648	128,842	71,856	13,784	69,640	534,258

Notes: 'In order to report consistently against the 1998/99 Business Plan, this line item (commonly referred to as Agency Support) includes the Forest Worker Employment Agency, Jobs Accord Advancate and New Forest Opportunities Ltd.

<sup>1</sup>Includes Value-Added Training (refer to page 17 for Value-added Program and investment details)

Figures may not add due to rounding

#### JOBS AND TIMBER ACCORD ADVOCATE

Planned Investment: \$0.5 million 1998/99 Investment: \$0.9 million

The Office of the Jobs and Timber Accord Advocate was created on April 1, 1998 to monitor the state of the B.C. forest sector and the progress on Jobs and Timber Accord initiatives. Where necessary, the advocate was also mandated to recommend remedial action and make recommendations to improve overall competitiveness of the B.C. forest industry.

During its first year of operation, key steps taken by the office included:

- meeting with industry and government to clarify and interpret the objectives of the Jobs and Timber Accord, and to develop workable guidelines and reporting requirements,
- developing a process for obtaining Accord Operating Plans and data related to the Accord initiatives from companies, the Ministry of Forests, and Forest Renewal BC,
- · evaluating the Accord strategies in the context of market conditions,
- facilitating discussions with key industry stakeholders on issues facing the forest industry,
- · supporting development of the Forest Action Plan, and
- initiating a stakeholder review of forest policy in support of a long-term forest-sector strategy.

### FOREST WORKER EMPLOYMENT AND TRAINING

Planned Investment: \$2.5 million 1998/99 Investment: \$2.1 million

The Forest Worker Employment and Training Program provides funding to employers and labour organizations to help them jointly identify new work opportunities and training needs for existing workers and develop strategies that help workers remain employed in the forest sector. Workers who are at risk of losing their jobs, either because they lack required skills, or because of economic influences impacting their workplace, are given priority.

In 1998/99, 868 workers received services under the program. The average investment was \$2,419 per worker.

#### SECTORAL TRAINING

Planned Investment: \$8.1 million 1998/99 Investment: \$4.6 million

The Sectoral Training Initiatives program provides funding to groups of forest-sector employers and workers to help them develop and implement



	Cariboo- Chilcotin	Rootenay- Boundary	Omineca- Peace	Pacific	Skeena- Bulkley	Thompson- Ohanayan	Province wide	Total
PROGRAM								
Forest Worker Employment Agency'	Gao	de	dia	3.70	-		0.05	3.75
Forest Worker Employment and Training	0.78	0.07	0.03	0.92	0.23		0.06	2.09
Sectoral Training	es	0.22	-	4.36	0.04	-	0.01	4.63
Forest and Resource Technology	no	0.39	0.11	0.52	0.53	-	-	1.54
Bursary	-	-	-	40	-	-	0.15	0.15
Research	-	-	-	0.25	0.01	-	0.09	0.35
Land-Based Training	0.41	0.30	0.77	-	0.21	0.45	0.01	2.16
Other Proposals	-	-	-		-	-	0.03	0.03
TOTAL	1.19	0.98	0.91	9.75	1.01	0.45	0.40	14.70
OUTPUTS <sup>1</sup>								
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Includes Value-Added Training (refer to page 17 for Value-added Program and investment details).

Figures may not add due to rounding.

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- · evaluating the Accord strategies in the context of market conditions,
- facilitating discussions with key industry stakeholders on issues facing the forest industry,
- supporting development of the Forest Action Plan, and
- initiating a stakeholder review of forest policy in support of a long-term forest-sector strategy.

# FOREST WORKER EMPLOYMENT AND TRAINING

Planned Investment: \$2.5 million 1998/99 Investment: \$2.1 million

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In 1998/99, 868 workers received services under the program. The average investment was \$2,419 per worker.

#### SECTORAL TRAINING

Planned Investment: \$8.1 million 1998/99 Investment: \$4.6 million

The Sectoral Training Initiatives program provides funding to groups of forest-sector employers and workers to help them develop and implement sector-specific human resource plans, and to provide skills upgrading to their workers for the new kinds of work available to them within their respective sector. The major initiative during 1998/99 was the second year of the three-year Joint Union / Management Program (JUMP) for skills training in the pulp and paper industry.

In 1998/99, 4,805 workers were trained under the Sectoral Training Initiatives, including 3,293 pulp and paper workers who participated in JUMP. The expenditures were less than planned because JUMP was delivered at considerably less cost than originally anticipated.

#### FOREST AND RESOURCE TECHNOLOGY

Planned Investment: \$1.8 million
1998/99 Investment: \$1.5 million
Forest Renewal BC investments, along with other forest-sector initiatives such as the Forest Practices
Code, are increasing the demand for trained forest workers. Colleges offering Forest Technician /
Technologist training programs have waiting lists that exceed their annual enrollment capacity tenfold, and graduates of these programs are readily able to find employment in the forest sector.

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To ensure that British Columbians can benefit from the increased level of forest-related work in the province, Forest Renewal BC has developed the Forest and Resource Technology Program to provide funding to post-secondary institutions delivering two-year forest and resource technology diploma programs. That support has enabled those institutions to incrementally increase the number of seats available to new students, and to give priority to displaced forest workers and First Nations applicants.

In 1998/99, 136 workers were trained in additional seats created by the funding provided under the Forest and Resource Technology Program.

#### **BURSARY PROGRAM**

Planned Investment: \$0.2 million 1998/99 Investment: \$0.15 million

The Bursary Program provides a \$1,000 bursary to high school and post-secondary students in the province each year to encourage training in forest-related studies and generate new ideas in forest management. Eligible Grade 12 or first- or second-year post-secondary students apply to their local credit union and submit essays. The bursaries are awarded through the credit unions to the winners.

In 1998/99, 22 bursaries were awarded to high school students, and 68 went to post-secondary students.

#### **RESEARCH PROGRAM**

Planned Investment: \$0.6 million 1998/99 Investment: \$0.35 million

The Research Program has a component in each of the funding envelopes and supports research activity to expand and enhance our knowledge and information about forest-related topics and issues.

In 1998/99, the Workforce component of the Research Program provided funds to five research projects related to workforce issues, three of which were completed. One project assessed the costs and benefits of options to create employment through a reduction and redistribution of work time for pulp and paper workers.

#### **LAND-BASED TRAINING**

Planned Investment: \$8.0 million 1998/99 Investment: \$2.2 million

The Land-Based Training Program supports employer-directed training and upgrading for inexperienced workers so that they can successfully carry out land-based project work – most of it directly related to Forest Renewal BC-funded land-based projects.

In 1998/99, 3,803 workers were trained under this program. In the Pacific Region, New Forest Opportunities Ltd., as the employer of record, also delivered land-based training to a further 483 workers who were placed on Forest Renewal BC-funded land-based projects. Training demand was lower in 1998/99 than originally forecast.

#### OTHER PROPOSALS

Planned Investment: None

1998/99 Investment: \$0.03 million

"Other Proposals" funding is used to support activities that do not clearly fit into any one of the structured programs under this strategic objective.

#### STRATEGIC OBJECTIVE 6

#### Assist forest-dependent communities through transition

Planned Investment: \$52.9 million 1998/99 Investment: \$66.2 million

In addition to its investments in land-based activities, worker training and value-added support programs that directly benefit communities and First Nations, Forest Renewal BC allocated outside of the forest industry as quickly as possible. Qualified workers can access career counselling to develop individualized back to work action plans; financial support to help them gain the skills they need to become more employable, and job search assistance. Planned as a three-year program in 1996, the Forest Worker Transition Program ended client intake on March 31, 1999.

Expenditures on the program are demand driven and were expected to be 30% higher in 1998/99 than in 1997/98. Due to the severity of the downturn in the forest industry, program demand in 1998/99 was much higher than fore-

3.54 2.91 0.80 0.38 0.52 0.32 0.02 0.02 - 0.37 	42.93 0.83 1.31 0.14	0.60 0.87 0.02	2.88 0.55 0.67 0.07 0.14	0.16 0.55 0.24 0.02 0.03 0.08	56.56 4.05 4.37 0.36 0.75 0.06
0.80 0.38 0.52 0.32 0.62 0.62 - 0.32	0.83 1.31 0.14	0.60 0.87 0.02	0.55 0.67 0.07 0.14	0.55 0.24 0.02 0.03 0.08	4.05 4.37 0.36 0.75 0.06
0.80 0.38 0.52 0.32 0.62 0.62 - 0.32	0.83 1.31 0.14	0.60 0.87 0.02	0.55 0.67 0.07 0.14	0.55 0.24 0.02 0.03 0.08	4.05 4.37 0.36 0.75 0.06
0.52 0.32 0.02 0.02 - 0.32	1.31	0.87	0.67 0.07 0.14	0.24 0.02 0.03 0.08	4.37 0.36 0.75 0.06
0.02 0.02 - 0.32 	0.14	0.02	0.07	0.02 0.03 0.06	0.36 0.75 0.06
- 0.37	-	-	0.14	0.03	0.75
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4.00 3.91	-	-	-	0.03	0.04
4.00 3.95					0.01
Married World Street, or other	45.46	3.31	4.32	1.00	66.19
SVOLUE TO	1233			11000	
					136
	1				138
7	1				101
	The state of the s				435

\$52.9 million in 1998/99 for activities to directly meet community and individual worker transition challenges. Results are summarized in Table 7: Assist Forest-Dependent Communities Through Transition 1998/99. (See page 26 for discussion of employment measurement and variances.)

#### **FOREST WORKER TRANSITION PROGRAM**

Planned Investment: \$37.9 Million 1998/99 Investment: \$56.6 Million

The Forest Worker Transition Program provides services and support to displaced forest workers to help them become re-employed in or cast. In total, 11,263 workers were assisted through the program. As a consequence, in order to meet the needs of these workers, Forest Renewal BC invested 50% more resources into the program than originally planned.

The results of the program are promising. A follow-up survey by Malatest and Associates Ltd of workers who had completed the program by March 31, 1999, indicated 81.4% of workers were re-employed, most in full-time and / or permanent jobs. These results are significantly higher than



#### OTHER PROPOSALS

Planned Investment: None

1998/99 Investment: \$0.03 million

"Other Proposals" funding is used to support activities that do not clearly fit into any one of the structured programs under this strategic objective.

#### STRATEGIC OBJECTIVE 6

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	Cariboo- Chilcotin	Rootenay- Boundary	Omineca- Peace	Pacific	Sheena- Bulkley	Thompson- Okanagan	Province wide	Total
PROGRAM								
Forest Worker Transition	2.32	3.54	2.91	42.93	1.82	2.88	0.16	56.56
Forest Community Business	0.35	0.80	0.38	0.83	0.60	0.55	0.55	4.05
Forest Community Economic Development	0.44	0.52	0.32	1.31	0.87	0.67	0.24	4.37
Regional Advisory Process	0.07	0.02	0.02	0.14	0.02	0.07	0.02	0.36
Research	-	espe	0.32	0.25	-	0.14	0.03	0.75
Forests Excellence Awards	-	-	-	-	-	-	0.06	0.06
Other Proposals	0.01	~	-	-	-	-	0.03	0.04
TOTAL	3.19	4.88	3.95	45.46	3.31	4.32	1.09	66.19
OUTPUTS					, 24			
Employment (person-years)								136
Projects								138
Communities assisted								101
Businesses assisted								435

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The results of the program are promising. A follow-up survey by Malatest and Associates Ltd of workers who had completed the program by March 31, 1999, indicated 81.4% of workers were re-employed, most in full-time and / or permanent jobs. These results are significantly higher than

comparable government re-employment programs. In addition, the majority of clients surveyed expressed satisfaction with the program services they received, and felt these services contributed towards their re-employment.

#### FOREST COMMUNITY BUSINESS PROGRAM

Planned Investment: \$4.4 million 1998/99 Investment: \$4.1 million

The Forest Community Business Program supports new and expanding forest-sector businesses by investing in Community Futures

Development Corporations, Aboriginal Capital Corporations, the Business Development Bank of Canada, and some provincial credit unions. These investments are matched or exceeded by the lending agencies, to establish loan funds.

In 1998/99, 37 community-based lending agencies participating in the program made 119 loans. Those fostered the start-up of 59 new forest-sector businesses and the expansion of 60 existing small or medium-sized businesses. With the loan funds, these new and expanding businesses created 119 full-time and 27 part-time new jobs and maintained 292 full-time and 84 part-time existing jobs.

#### FOREST COMMUNITY ECONOMIC DEVELOPMENT PROGRAM

Planned Investment: \$9.0 million 1998/99 Investment: \$4.4 million

This program provides funds to community groups (i.e., various combinations of municipalities, groups of communities in the same geographic area, and First Nations groups) to help them create and implement economic development and diversification strategies. The program also provided emergency-response funding in 1998/99 to several forest-dependent rural communities that faced significant job losses because of mill or plant closures.

In this year, the program funded 101 projects

by 49 forest-dependent communities and some 52 First Nations groups or communities. Under these projects, direct financial assistance was provided to a total of 316 forest-sector businesses, creating 573 full-time and 192 part-time new jobs and maintaining 660 full-time and 333 part-time existing jobs.

#### **REGIONAL ADVISORY PROCESS**

Planned Investment: \$0.6 million 1998/99 Investment: \$0.4 million

The Regional Advisory Process is strictly consultative in nature. It funded meetings in each of Forest Renewal BC's six regions during 1998/99, between Forest Renewal BC regional staff and regional stakeholders. The objective of all of the meetings was to discuss the plans and set the priorities for investing the funds allocated by Forest Renewal BC to the region.

#### RESEARCH PROGRAM

Planned Investment: \$0.8 million 1998/99 Investment: \$0.8 million

The Research Program, which has a component in each of the funding envelopes, supports research activity to expand and enhance our knowledge and information about forest-related issues and matters.

In 1998/99, the Communities component of the Research Program provided funds to eight research projects on community issues. Six of these were completed. One of those produced an economic strategy to develop non-timber forest products and services in British Columbia.

#### FORESTS EXCELLENCE AWARDS PROGRAM

Planned Investment: \$0.15 million 1998/99 Investment: \$0.06 million

Like the Research Program, the Forests Excellence Awards Program crosses all activity areas funded by Forest Renewal BC. Each year, the program recognizes valuable contributions to forestry in B.C. through broad-based community initiatives or solutions to challenges resulting from changes in the forest industry. Awards are given in nine categories: Forest Management, Environment, Value-added, Labour, Community, Education, Communications/Media, Forest Service, and Youth.

Ten awards were presented in 1998/99.

#### OTHER PROPOSALS

Planned Investment: \$0.1 million 1998/99 Investment: \$0.04 million

"Other Proposals" funding is used to support activities that do not clearly fit into any one of the structured programs under this strategic objective.

#### STRATEGIC OBJECTIVE 7

#### **Build an effective, efficient organization**

Planned Investment: \$26.4 million 1998/99 Investment: \$22.1 million

Forest Renewal BC invests funds to achieve desirable outcomes for the province that would not be possible for industry, communities and workers to achieve on their own. It allocates its funds to obtain the most effective and equitable outcomes, balanced against costs.

To achieve these goals, the corporation has embraced performancebased management, and it made major progress in 1998/99 in implementing this approach. Accomplishments are outlined, below.

#### SETTING CLEAR OBJECTIVES AND STRATEGIES

Strategic planning work continued through the year on the further development of the corporate strategic framework outlined in the Business Plan. This effort went on against a backdrop of a severe cyclical downturn in the forest sector, an increased demand for Forest Renewal BC services, and significantly reduced corporation revenues. The board of directors made a number of difficult decisions to move out of certain business areas over a transition period commencing in 1999/00, and the corporation launched its new, five-year Strategic Plan 1999 - 2003 in April 1999. A key part of that plan was to develop performance measures and targets for planned achievements over the next five years.

For performance measures and targets, the corporation deliberately set the focus on high-level measures that represent significant outcomes for the forest sector. Examples include potential increases in the volume of wood fibre, increased sales for the secondary manufacturing sector, and maintaining and increasing jobs in forest-dependent communities – as well as what Forest Renewal BC expects to contribute to these. Efforts are ongoing to improve baseline and benchmark information and to improve routine tracking methods.

#### **IMPROVING MANAGEMENT SYSTEMS**

Prior to 1998/99, project tracking, financial accounting, and project results were not integrated. Forest Renewal BC's Investment Management System, launched in 1998/99, links those three functions to support better decision-making and accountability on investments.

The new land-based delivery model, which was developed during 1997/98 and implemented during 1998/99, is designed to improve the efficiency of how Forest Renewal BC investments are delivered. The objectives of the model are to:

- rely less on the provincial ministries that previously delivered Forest Renewal BC's major Land-Based Programs, and more on the corporation's partners, including forest licensees, communities, environmental groups, and First Nations.
- enter into Multi-Year Agreements with those partners, where appropriate, so that they can do much of the on-the-ground planning and administration, offer more predictable and longer-term employment, and reduce overall administrative costs,
- make agreement-holders more accountable, through clearly specified performance criteria, and
- · reduce the corporation's administrative costs.

The costs of reviewing proposals and writing land-based contracts have been cut substantially. Regional staff, as expected, have been able to concentrate on high-level planning and on reviewing performance. Staff numbers have also been reduced.

Four evaluations and reviews were completed during 1998/99, and two were underway at year end.

A review of the Watershed Restoration Program
was completed, along with an assessment of
current planning and priority-setting procedures.
The review showed that there was far more work
assessed and planned than there was money likely
to be available. A number of recommendations

were made by the review for the development of a much more targeted program and a monitoring and evaluation framework.

- Case studies of a large sample of projects under the Forest Communities Economic Development Program were done to identify actions, outputs and outcomes. The studies showed that the program is operating successfully and showing good early outcomes.
- · A financial review of the Forest Community



Business Program was conducted during 1998/99. It showed that compliance with program terms and conditions by program lenders was high. Recommendations that were made for improving program delivery are being implemented.

- BC Stats, on behalf of the corporation, reviewed participation by First Nations in Forest Renewal BC programs. The results were used to help develop pertinent performance measures in the Strategic Plan.
- An evaluation of the Forest Worker Transition Program was underway at year end. Forest Renewal BC was also involved in the development of the provincial Silviculture

Strategy, in collaboration with the Ministry of Forests in several forest regions.

Forest Renewal BC was restructured into three operational business units during 1998/99, and the full-time staff was reduced by 40 per cent (i.e., from 193 to 115). A performance-based management system for staff was also in place at the end of the year in the Forests and Environment Business Unit.

Administrative costs were maintained at less than 5 per cent of program investments, despite a reduction in spending (see Table 8).

#### CREATING EMPLOYMENT

All Forest Renewal BC investments support the creation and maintenance of forest-sector jobs. The corporation has worked throughout the year to improve the quality as well as the number of those jobs, through initiatives such as the new land based delivery model, New Forest Opportunities Ltd., and the training activities described earlier in this report.

Forest Renewal BC has always tracked the direct, short-term employment impacts of its investments. The corporation is now working to provide measures, wherever possible, to track downstream employment, as well as indirect and induced employment created as a result of its investments.

#### DIRECT. SHORT-TERM EMPLOYMENT IMPACTS

Table 9 shows the total direct, short-term employment generated by Forest Renewal BC under each of its six external strategic objectives during 1998/99. This is compared with the planned numbers published in the *Business Plan*.

#### **EMPLOYMENT SHORTFALL**

The actual direct employment generated by Forest Renewal BC's investments in 1998/99 was 4,809 person-years, compared to an expected figure of 6,900 when the *Business Plan* was published – a 30 per cent shortfall. (The *Business Plan* number did not include any expected employment generated under the Workforce training area. When that is included, the shortfall is 29 per cent.)

There are three broad reasons for the shortfall:

- Expenditures were less than planned (i.e., 10 per cent lower overall, and 16 per cent impact on employment).
- The coefficients of expected costs per person that were used to generate the expected figures were based on data from previous

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	Section 1	Artical Deposition
Chair, Board, Committees, and Chief Executive Officer	14	IJ
Regional Operations	14.6	12.5
Forests, Resources and Environment	1.0	ti.
Communities and Workforce	0.9	0.7
Value-added	14	0.5
Finance and Administration	4.7	3.8
Corporate Planning and Evaluation	0.9	0.6
Communications	2.5	1.5
SUBTUTAL: FOREST RENEWAL BC	26.4	22.1
Subsidiaries		2.0
TOTAL CONSOLIDATES	West St.	24.1
STAFFWE	193	168
Figures may met add due to rounding.	CONTRACTOR AND	(T) PSL()

Strategic Objective Col		Actual
Street, others	COMPANY NOTAL A	(hearn hear
Sustainable harvest	3,000	2,319
Enhance environmental values	1,100	958
Enhance our knowledge of the forest	1,500	1,230
Strengthen the value-added sector	200	166
Create and maintain sastainable forest jobs*		146
Audist forest-dependent communities through transition	300	136
TOTAL (EXCLUSING WORKFORCE)	6,000	4,809
TOTAL (INCLIDENG WORKFORCE)	6907	4,955
Published Business Pipe entirestes.  *Actual reported, based on BAS plus co-efficiency agreements.	el land estates to the	try staff employed on

years. They were set too low because certain costs in those years were not included (an 11 per cent impact).

 The employment actually generated per dollar of investments was less in 1998/99 than in the previous years, for a number of reasons. Almost all of this reduction in employment occurred under Strategic Objectives 1 (Sustainable harvest) and 6 (Assist forest-dependent communities through transition).

Under Strategic Objective 1 (Sustainable harvest), employment shortfall factors included:

· a shift of investments from some activities with low costs

per person year, such as spacing and pruning, to some with higher costs, such as surveys (e.g., the area of surveys increased by 30 per cent, while the pruning area was reduced by 50 per cent and the spacing area by 45 per cent),

- a shift to more labour-intensive types of treatments, such as manual brushing and pruning of higher branches on trees. There was also a shift to tackling more difficult sites, particularly in planting. As a consequence, the labour proportion of total costs increased, and
- an increase in remuneration rates in some regions (e.g., the Pacific Forest Region).

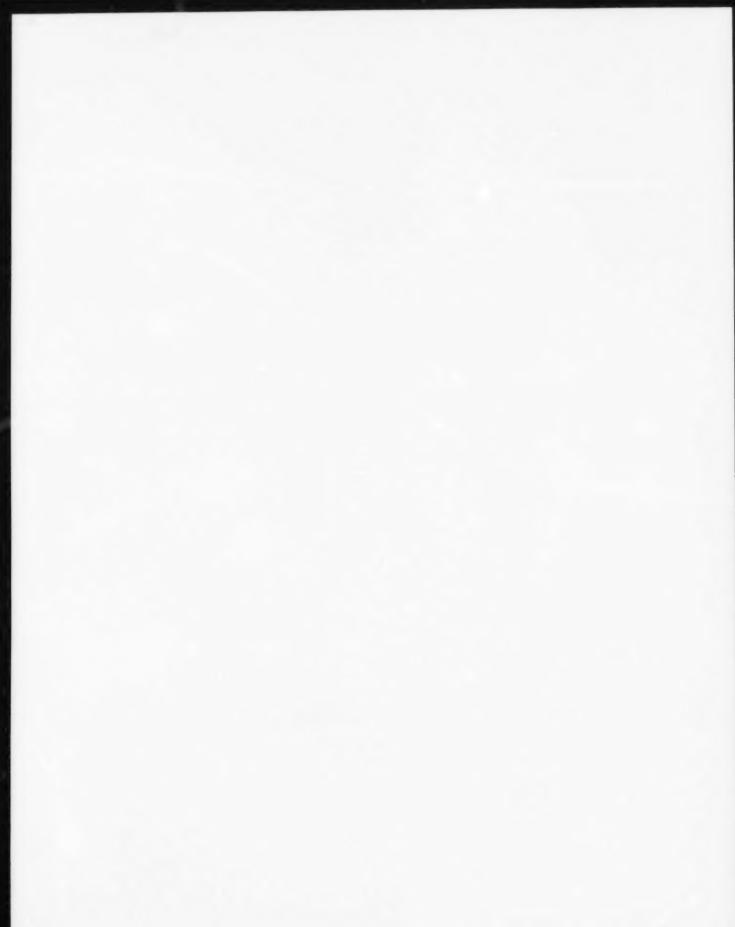
The employment shortfall under Strategic

Objective 6 (Assist forest-dependent communities through transition) was largely due to a reduction in the number of targeted projects to achieve the same outcomes, consequent economies of scale, and a reduction in the required labour input. The resulting savings were used to make further investments and produce greater outcomes within the strategic objective than would otherwise have been possible.

There were fewer actual projects than targeted projects (138 vs. 211) because forest-dependent communities (municipalities and unincorporated areas) and First Nations formed regional groupings to implement their projects. That created less direct employment for each project than would have been created if Forest Renewal BC had funded the communities and First Nations individually. The nature of the work being done on the projects also required less contracted consultant assistance, which normally makes up the bulk of the direct employment that is created.

#### DOWNSTREAM EMPLOYMENT IMPACTS

While these short-term jobs are a major contribution to employment in themselves, another



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	No. of con-	40.34
	Budget	Actual Expenditure
Chair, Board, Committees, and Chief Executive Officer	1.4	1.3
Regional Operations	14.6	12.5
Forests, Resources and Environment	1.0	1.1
Communities and Workforce	0.9	0.7
Value-added	0.4	0.5
Finance and Administration	4.7	3.8
Corporate Planning and Evaluation	0.9	0.6
Communications	2.5	1.5
SUBTOTAL: FOREST RENEWAL BC	26.4	22.1
Subsidiaries		2.0
TOTAL CONSOLIDATED		24.1
STAFFING	193	188

TOTAL (EXCLUDING WORKFORCE)	6,900	4,809
Assist forest-dependent communities through transition	300	136
Create and maintain sustainable forest jobs'		146
Strengthen the value-added sector	200	166
Enhance our knowledge of the forest	1,500	1,230
Enhance environmental values	1,100	958
Sustainable harvest	3,800	2,319
Strategic Objective Es	Business Plan stimated Impacts' (person-years)	Actual Impacts (person-yea

TOTAL (INCLUDING WORKFORCE)

Published Business Plan estimates.

6,977

4,955

years. They were set too low because certain costs in those years were not included (an 11 per cent impact).

 The employment actually generated per dollar of investments was less in 1998/99 than in the previous years, for a number of reasons. Almost all of this reduction in employment occurred under Strategic Objectives 1 (Sustainable harvest) and 6 (Assist forest-dependent communities through transition).

Under Strategic Objective 1 (Sustainable harvest), employment shortfall factors included:

· a shift of investments from some activities with low costs

Actual reported, based on IMS plus co-efficient based estimate for ministry staff employed on service agreements.

<sup>177</sup> person years were estimated for Workforce programs at the time of Business Plan preparation but were not included.



major impact is the downstream, often long-term employment that is expected to flow when investments reach fruition. For example, the additional quantities of wood fibre that will be produced by Forest Renewal BC's investments in enhanced silviculture are expected to create additional jobs when that timber is harvested.

The downstream employment from Forest Renewal BC's assistance under Strategic

The downstream employment from Forest Renewal BC's assistance under Strategic Objective 6 to businesses and communities occurs reasonably rapidly. As a result, Forest Renewal BC routinely tracks those jobs (see Table 10).

Indirect and induced employment are also of importance in tracing the regional impacts of Forest Renewal BC investments. Indirect jobs, a consequence of direct job creation, usually

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Program	Full-time	Part-time	Full-time jobs	Part-time job
· · · · · · · · · · · · · · · · · · ·		jobs created		maintained
Forest Community Business Program	119	27	292	84
Forest Community Economic Development				
Program	573	192	660	333
TOTAL	692	219	952	417

<sup>&</sup>lt;sup>1</sup> As a consequence of the programs under Strategic Objective 6 (Assist forest-dependent communities through transition), as reported by partners.

involve supplying services to the forest sector. Induced jobs result from the expenditures of those who are employed in directly created jobs. Forest Renewal BC is developing predictors for direct, long-term, indirect and induced employment impacts. major impact is the downstream, often long-term employment that is expected to flow when investments reach fruition. For example, the additional quantities of wood fibre that will be produced by Forest Renewal BC's investments in enhanced silviculture are expected to create additional jobs when that timber is harvested.

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Program	Full-time jobs created	Part-time Jobs Created		Part-time jobs maintained
Forest Community Business Program	119	27	292	84
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TOTAL	692	219	962	417

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## Program Investments in 1998/99 By Region

1998/99 Program Investments		
Strategic Objective	'lanned Expenditures'	Actual Investmen
Sustainable harvest	23.80	23.17
Enhance environmental values	7.73	5.82
Enhance our knowledge of the f	orest 9.09	7.23
Strengthen the value-added sec	tor 0.54	0.31
Create and maintain sustainable forest jobs	1.67	1.19
Assist forest-dependent communities through transition	2.87	3.19
Total all programs	45.69	40.92
Province-wide allocation	10.42	5.92
TOTAL, including province-wide allocation	n 56.11	46.83

Notes: Source: 1998/99 Business Plan, and any funding reallocations. Figures may not add due to rounding.

1998/99 Program Investments		
	Planned Expenditures	Actual Investmen
Sustainable harvest	19.61	18.89
Enhance environmental values	6.37	5.39
Enhance our knowledge of the fo	rest 8.46	7.03
Strengthen the value-added sect	or 1.46	1.60
Create and maintain sustainable forest jobs	1.32	0.98
Assist forest-dependent communities through transition	2.52	4.88
Total all programs	39.75	38.78
Province-wide allocation	10.76	7.02
TOTAL, including province-wide allocation	50.52	45.80

Notes: Source: 1998/99 Business Plan, and any funding reallocations. Figures may not add due to rounding.

PACIFIC REGION CIMILLIONS?

1998/99 Program Investments		
Strategic Objective Pla	nned Expenditures	Actual Investment
Sustainable harvest	39.41	32.12
Enhance environmental values	10.14	7.32
Enhance our knowledge of the fo	rest 31.67	27.29
Strengthen the value-added sect	or 1.10	0.46
Create and maintain sustainable forest jobs	1.84	0.91
Assist forest-dependent communities through transition	3.14	3.95
Total all programs	87.29	72.05
Province-wide allocation	16.36	10.40
TOTAL,	103.64	87.45

Notes: 'Source: 1998/99 Business Plan, and any funding reallocations. Figures may not add due to rounding.

1998/99 Program Investments		
Strategic Objective	Planned Expenditures <sup>1</sup>	Actual Investments
Sustainable harvest	41.56	33.53
Enhance environmental values	55.40	53.80
Enhance our knowledge of the fo	rest 27.26	22.43
Strengthen the value-added secti	or 2.59	3.81
Create and maintain sustainable forest jobs	17.09	9.75
Assist forest-dependent communities through transition	24.18	45.46
Total all programs	168.07	168.79
Province-wide allocation	22.05	18.39

187.17

Notes: 'Source: 1998/99 Business Plan, and any funding reallocations. Figures may not add due to rounding.

including province-wide allocation

10.44	6.40
42.90	39.01
2.81	3.31
1.40	1.01
0.58	0.18
st 8.61	7.84
8.49	7.20
21.01	19.47
Planned Expenditures'	Actual Investr
	21.01 8.49 st 8.61 0.58 1.40 2.81

Notes: 'Source: 1998/99 Business Plan, and any funding reallocations. Figures may not add due to rounding.

#### THOMPSON OKANAGAN REGION (SMILLIONS)

1998/99 Program Investments		
Strategic Objective	Planned Expenditures <sup>1</sup>	Actual Investme
Sustainable harvest	24.52	21.23
Enhance environmental values	11.95	9.90
Enhance our knowledge of the fo	rest 11.46	11.75
Strengthen the value-added sect	or 0.85	0.23
Create and maintain sustainable forest jobs	1.14	0.45
Assist forest-dependent communities through transition	2.79	4.32
Total all programs	52.70	47.88
Province-wide allocation	11.04	7.65
TOTAL, including province-wide allocation	n 63.74	55.53

Notes: 'Source: 1998/99 Business Plan, and any funding reallocations.

Figures may not add due to rounding.

PROVINCE WIDE (SMILLIONS)	0001	HAFE	THE E P. L.	( C &A   1	11 1 N N ( )
	PKUV	11010	wint	( ) tall (	FFIGHT

TOTAL,	(01.07)	(55). 17
Province-wide allocation	(81.07)	(55.76)
Total all programs	81.07	55.76
Assist forest-dependent communities through transition	14.66	1.09
Create and maintain sustainable forest jobs	4.18	0.40
Strengthen the value-added secto	r 15.28	9.98
Enhance our knowledge of the for	est 20.50	22.63
Enhance environmental values	11.49	13.73
Sustainable harvest	14.95	7.94
Strategic Objective P	fanned Expenditures'	Actual Investme
1998/99 Program Investments		

Notes: 'Source: 1998/99 Business Plan, and any funding reallocations. Figures may not add due to rounding.

Province-wide investments allocated to regions for financial reporting purposes.

#### TOTAL FOREST RENEWAL BC (SMILLIONS)

TOTAL ALL PROGRAMS	517.48	463.19
Assist forest-dependent communities through transition	52.96	66.19
Create and maintain sustainable forest jobs	28.64	14.70
Strengthen the value-added sect	or 22.39	16.59
Enhance our knowledge of the fo	rest 117.06	106.21
Enhance environmental values	111.56	103.16
Sustainable harvest	184.87	156.34
Strategic Objective	Planned Expenditures'	Actual Investi
1998/99 Program Investments		

Notes: 'Source: 1998/99 Business Plan, and any funding reallocations. Figures may not add due to rounding.

### Financial Statements

The consolidated financial statements of Forest Renewal BC for the year ended March 31, 1999 have been prepared by management in accordance with generally accepted accounting principles for not-for-profit organizations. These consolidated financial statements present fairly the consolidated financial position of the Corporation as at March 31, 1999, and the results of operations and changes in cash flows for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements through its Audit Committee.

The Committee meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Audit Committee, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the consolidated financial statements of Forest Renewal BC. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements.

Lee Doney

Chief Executive Officer

alex & Makie

Controller

June 11, 1999

# REPORT OF THE AUDITOR GENERAL OF BRITISH COLUMBIA

To the Members of the Board of Directors of Forest Renewal BC, and

To the Minister of Forests, Province of British Columbia:

I have audited the consolidated statement of financial position of Forest Renewal BC as at March 31, 1999 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Forest Renewal BC as at March 31, 1999 and the results of its operations and the changes in its net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

George L. Morfitt

Victoria, British Columbia

burge L' Larfitto

June 11, 1999

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the Year Ended March 31, 1999

Cash and short term investments (Note 3)  Due from Province of British Columbia  Accountable advances  Prepaid expenses  ong term investments (Note 4)  apital assets (Note 5)  AMBILITIES AMB NET ASSETS  Accounts payable and accrued liabilities  Project expenditures payable  lef assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)  Unappropriated		
Cash and short term investments (Note 3)  Due from Province of British Columbia  Accountable advances  Prepaid expenses  ong term investments (Note 4)  apital assets (Note 5)  AMRITIES AND HET ASSETS  arrest liabilities  Accounts payable and accrued liabilities  Project expenditures payable  He assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	1999 (\$000)	1998 (\$000)
Cash and short term investments (Note 3)  Due from Province of British Columbia  Accountable advances  Prepaid expenses  ong term investments (Note 4)  apital assets (Note 5)  ABBILITIES AND HET ASSETS  arrest liabilities  Accounts payable and accrued liabilities  Project expenditures payable  er assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)		
Due from Province of British Columbia Accountable advances Prepaid expenses  ong term investments (Note 4) apital assets (Note 5)  ABRITTES AND MET ASSETS Arrest liabilities Accounts payable and accrued liabilities Project expenditures payable  ef assets Reserve for program continuity (Note 7) Reserve for finance purposes (Note 8) Reserve for multi-year agreements (Note 9)		
Accountable advances  Prepaid expenses  ong term investments (Note 4)  apital assets (Note 5)  AMRITHES AND HET ASSETS  Breed Liabilities  Accounts payable and accrued liabilities  Project expenditures payable  et assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	447,945	739,987
ong term investments (Note 4)  apital assets (Note 5)  ABRITIES AND NET ASSETS  arrest liabilities  Accounts payable and accrued liabilities  Project expenditures payable  et assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	85,805	185,187
apital assets (Note 4)  apital assets (Note 5)  ARRITHES AND NET ASSETS  Brewt liabilities  Accounts payable and accrued liabilities  Project expenditures payable  et assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	15,680	15,632
Adultities AND HET ASSETS  Accounts payable and accrued liabilities  Project expenditures payable  ert assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	85	361
Adultities AND HET ASSETS  Accounts payable and accrued liabilities  Project expenditures payable  ert assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	549,515	941,167
Accounts payable and accrued liabilities  Project expenditures payable  Project expenditures payable  Project expenditures payable  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	14,500	10,000
Accounts payable and accrued liabilities  Project expenditures payable  Project expenditures payable  Project expenditures payable  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	1,816	755
Accounts payable and accrued liabilities  Project expenditures payable  er assets  Reserve for program continuity (Note 7)  Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)	565,831	951,922
Accounts payable and accrued liabilities  Project expenditures payable		
Project expenditures payable		
Reserve for program continuity (Note 7) Reserve for finance purposes (Note 8) Reserve for multi-year agreements (Note 9)	11,832	13,806
Reserve for program continuity (Note 7) Reserve for finance purposes (Note 8) Reserve for multi-year agreements (Note 9)	55,175	174,684
Reserve for program continuity (Note 7) Reserve for finance purposes (Note 8) Reserve for multi-year agreements (Note 9)	67,007	188,490
Reserve for finance purposes (Note 8)  Reserve for multi-year agreements (Note 9)		
Reserve for multi-year agreements (Note 9)	400,000	400,000
	16,600	58,960
Unappropriated	22,150	10,500
Unappropriated	438,750	469,460
	60,074	293,972
	498,824	763,432
Commitments (Note 12)		
	565,831	951,922

The accompanying notes are an integral part of these financial statements. Approved by the Board of Directors

abbille Ann Hillyer, Director Rogan Day Roger Stanyer, Director

	1999 (\$000)	1998 (\$000)
REVENUES		
Statutory forest revenue	177,439	482,758
Investment and other income	45,270	51,198
EXPENDITURES	222,709	533,956
Program expenditures (Schedule 1)	463,186	596,334
ADMINISTRATION (NOTE 6)	24,131	25,302
	487,317	621,636
DEFICIENCY OF REVENUES OVER EXPENDITURES	264,608	87,680

The accompanying notes are an integral part of these financial statements.

#### CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31, 1999

BALANCE, END OF YEAR	400,000	16,600	22,150	60,074	498,824
Transfers to (from) reserves	-	(49,530)	140,495	(90,965)	•
Excess (deficiency) of revenues over expenditures	-	7,170	(128,845)	(142,933)	(264,608
Balance, beginning of year	400,000	58,960	10,500	293,972	763,432
	(1000)	(1000)	(teee)	(1000)	(lees)
	Reserve for Program Continuity (Note 7)	Reserve for Finance Purposes (Note 8)	Reserve for Multi-Year Agreements (Note 9)	Unappropriated	TOTAL

The accompanying notes are an integral part of these financial statements.

THE LABOUR TOTAL OF THE SMATTER TO A STREET

	2000	1999
	(teee)	(teee)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from statutory forest revenue	276,821	489,987
Cash received from investment income	45,270	51,198
Cash paid for program expenditures	(582,743)	(605,435)
Cash paid for administrative expenditures	(25,162)	(16,991)
	(285,814)	(81,241)
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment	(4,500)	(10,000)
Acquisition of capital assets	(1,728)	( 346)
	(6,228)	(10,346)
DECREASE IN CASH AND EQUIVALENTS	(292,042)	(91,587)
CASH AND EQUIVALENTS, BEGINNING OF THE YEAR	739,987	831,574
CASH AND EQUIVALENTS, END OF THE YEAR	447,945	739,987

The accompanying notes are an integral part of these financial statements.

# FINANCIAL STATEMENTS FOREST RENEWAL DC 37 ANNUAL REPORT 1998/1999

# SCHEDULE OF PROGRAM EXPENDITURES BY REGION AND ACTIVITY AREA (SCHEDULE 1)

For the Year Ended March 31, 1999 (\$000)

REGIONS	Land and Resources	Environment	Workforce	Communities	Value-added	1999 TOTAL	1998 TOTAL
Cariboo-Chilcotin	29,698	11,476	4,134	991	532	46,831	65,482
Thompson-Okanagan	33,214	16,458	3,508	1,582	766	55,528	74,731
Kootenay-Boundary	25,192	10,970	6,869	1,510	1,254	45,795	62,627
Omineca-Peace	48,735	27,299	4,184	1,141	1,096	82,455	112,465
Skeena-Bulkley	28,133	11,927	3,120	1,642	584	45,406	74,291
Pacific	58,959	63,643	54,085	2,766	7,718	187,171	206,738
1999 TOTAL	223,931	141,773	75,900	9,632	11,950	463,186	-
1998 TOTAL	267,920	231,307	65,113	19,761	12,233	-	596,334

#### **ACTIVITY AREA OBJECTIVES**

Land and Resources - to increase investment in the forest resource and in the forest land base.

Environment – to invest in the environmental values of the forests.

Workforce - to foster forest employment opportunities and job training, and other related

initiatives, to assist forest workers and to expand the forest workforce.

Communities – to support community development and adjustment.

Value-added - to promote activities that assist

i) forest industry diversification,

ii) the further processing of the wood supply, and

iii) increased manufacturing of wood products.

The accompanying notes are an integral part of these financial statements.

#### THE CORPORATION

Forest Renewal BC, a Crown corporation, was incorporated under the Forest Renewal Act on June 2, 1994. The purpose of Forest Renewal BC is to renew the forest economy of British Columbia, enhance the productive capacity and environmental value of forest lands, create jobs, provide training for forest workers and strengthen communities.

Under the *Forest Renewal Act*, Forest Renewal BC is entitled to 80% of the increases in stumpage and royalty revenue attributable to changes in rates or stumpage fees under the *Forest Act* that have been implemented since April 30, 1994, less an annual offset of up to \$50 million. Effective June 1, 1998, the percentage of revenue received by Forest Renewal BC varies based on a new pricing structure.

The Corporation is exempt from federal and provincial income taxes.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles for not-for-profit organizations and include the assets, liabilities, revenues and expenditures of Forest Renewal BC and its 100% owned subsidiaries, New Forest Opportunities Ltd. and Office of the Jobs and Timber Accord Advocate Inc., formerly 561763 B.C. Ltd.

**New Forest Opportunities Ltd.** was incorporated on November 19, 1997. New Forest Opportunities Ltd. has been established as a forest worker agency to assist Pacific Forest Region forest workers who are being displaced during the current transition in the forest sector. New Forest Opportunities Ltd. assesses eligible workers, equips them with new skills and gives them priority placement for work on Forest Renewal BC land-based projects.

Office of the Jobs and Timber Accord Advocate Inc. was incorporated on March 24, 1998 and commenced operations on April 1, 1998. The company has been established to monitor the effectiveness of the Jobs and Timber Accord and ensure its timely implementation, monitor ongoing efforts to maintain and increase the employment base of the B.C. forest industry, and enforce the provisions of the Accord to ensure a high degree of compliance.

Short Term Investments are carried at the lower of cost and market value.

Capital Assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Assets costing less than \$5,000 are expensed in the year purchased. Capital assets are amortized on the straight-line basis over their estimated useful lives as follows:

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Computer hardware 3 to 5 years
Office equipment 2 years

Revenue from stumpage and royalties is recognized for all timber scaled in the fiscal year.

**Measurement Uncertainty** The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.

#### 3. CASH AND SHORT TERM INVESTMENTS

	1999 Cost	1999 Market Value	1998 Cost	1998 Market Value
	(\$000)	(\$000)	(5000)	(5000)
Cash	7,647	7,647	(22,154)	(22,154)
Term deposits	22,490	22,490	20,539	20,539
Investments – Provincial Treasury	417,808	426,226	741,602	765,106
TOTAL	447,945	456,363	739,987	763,491

#### 4. LONG TERM INVESTMENTS

In the year ended March 31, 1998, the Board of Directors approved the deposit of \$10 million dollars in the pooled investment fund of the Municipal Finance Authority of British Columbia to enable the Authority to provide loan assistance for infrastructure projects in forestry-dependent regions. Interest is paid quarterly and the balance of the fund is due to be repaid to Forest Renewal BC on March 31, 2008. In the year ended March 31, 1999, Forest Renewal BC deposited \$4.5 million dollars in a managed investment fund with the University of British Columbia. All income up to five per cent per annum in the Managed Fund will be used for endowment program expenditures. The balance in the Managed Fund is due to be repaid March 15, 2030.



Building and leasehold improvements 20 years
Automobiles 5 years
Computer hardware 3 to 5 years
Office equipment 2 years

Revenue from stumpage and royalties is recognized for all timber scaled in the fiscal year.

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	(\$000)	(\$000)	(\$000)	(\$000)
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#### 5. CAPITAL ASSETS

	Cest (teee)	Accumulated Amortization (topo)	1999 NBV (Sooo)	(1000)
Building	867	43	824	-
Leasehold improvements	71	6	65	-
Automobiles	159	23	136	-
Computer hardware	1,200	1,041	159	368
Computer software	1,186	558	628	387
Office equipment	8	4	4	-
TOTAL	3,491	1,675	1,816	755

#### 6. ADMINISTRATION

	(1999 (1000)	1998 (1000)
Salaries, wages and benefits	12,664	12,011
Professional services	3,579	4,108
Advertising and publications	1,162	2,046
Information systems	1,668	1,73
Building occupancy	1,565	1,665
Staff travel	1,321	1,218
General operating	1,125	1,172
Furniture and equipment	162	540
Amortization	668	479
Board expenses	217	310
TOTAL	24,131	25,302

#### 7. RESERVE FOR PROGRAM CONTINUITY

In the year ended March 31, 1996, the Board of Directors appropriated \$400 million to the Reserve for Program Continuity to ensure that funds are available to cover program commitments in years where Forest Renewal BC revenues fall below existing and anticipated program commitments.

#### 8. RESERVE FOR FINANCE PURPOSES

In the year ended March 31, 1998, the Board of Directors appropriated \$65.5 million to the Reserve for Finance Purposes to fully offset all loans made by Forest Renewal BC. Twenty-five percent of general investment income was to be allocated to this reserve each year. As of March 31, 1999 the Finance Reserve was reduced to \$16.6 million and the reserve ceased to earn investment income. New loans and investments will be added to the reserve at face value.

#### 9. RESERVE FOR MULTI-YEAR AGREEMENTS

In the year ended March 31, 1998, the Board of Directors appropriated \$10.5 million to the Reserve for Multi-Year Agreements to reserve unspent funds committed under Multi-Year Agreements. In the year ended March 31, 1999, \$140.5 million was transferred to the Reserve, out of which \$128.8 million was spent by proponents. Those amounts not expended in the year are reserved for future years.

#### 10. RELATED PARTY TRANSACTIONS

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at cost for program delivery, and at normal commercial terms for other administrative services.

Ministries, agencies and Crown corporations accounted for 38% (1998 – 80%) of program expenditures and 15% (1998 – 17%) of administrative expenditures.

#### 11. PENSION PLAN

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the Pension (Public Service) Act. New Forest
Opportunities Ltd. and its employees do not contribute to the Public Service Pension Plan. The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a defined benefit pension plan. The financial position of the Plan is described in the financial statements of the Plan. The Province of British Columbia has statutory responsibility for any unfunded liability. The most recent actuarial evaluation has determined the Plan is in a surplus position.

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#### 12. COMMITMENTS

The Corporation has entered into facilities leases for office space in Victoria, Kamloops, Williams Lake, Prince George, Cranbrook, Nanaimo, Vancouver, Campbell River and Smithers expiring on various dates to 2002. The Corporation also leases vehicles. Future minimum payments under these leases are as follows:

TOTAL	4,334
2004	22
2003	396
2002	942
2001	1,151
2000	1,823
	(5000)

At March 31, 1999, the Corporation has contracted project commitments that carry over to subsequent years, as follows:

TOTAL	703,971
Subsequent Years	20,375
2003	137,222
2002	159,633
2001	157,539
2000	229,202
	(\$000)

#### 13. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify the year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect Forest Renewal BC's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting Forest Renewal BC, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Of the two primary information systems at Forest Renewal BC, the Oracle financial system is certified as Year 2000 ready, and the Investment Management System has been developed within the last year and has been built to record information beyond the year 2000.

#### 14. COMPARATIVE FIGURES

Amounts shown for the prior year have been restated to conform with the presentation used in the current year.

#### **Forest Renewal BC Funding Principles**

Consistency with corporate mandate Forest Renewal BC will fund only those proposals that are consistent with its mandate to renew the forest economy of British Columbia by enhancing the productive capacity and environmental values of forest lands, creating jobs, providing training for forest workers, and strengthening local communities that depend on the forest industry.

Incrementality Forest Renewal BC funds should be used to expand the overall level of investment in the forest economy, rather than displace existing spending. Forest Renewal BC will only invest in programs and projects that would not otherwise be undertaken by government or project proponents.

Wise spending Projects funded by Forest Renewal BC should demonstrate economy of delivery, efficiency of operation, and effectiveness in achieving desired results.

Regional equity and sensitivity Forest Renewal BC-funded projects should contribute to the corporation's goals of obtaining regional input into decision making and delivering regionally equitable programming.

First Nations participation To the greatest extent possible, projects funded by Forest Renewal BC should encourage the participation of First Nations.

Community stability Forest Renewal BC-funded projects should help enhance long-term community stability and emphasize local employment.

Jobs Forest Renewal BC investments should sustain or create jobs, or help create conditions that support permanent jobs.

Sustainability Forest Renewal BC investments should promote sustainability by integrating environmental, economic and social objectives and benefits.

Environmental values Projects funded by Forest Renewal BC should contribute to restoring and maintaining the ecological integrity and environmental sustainability of the forests.

#### APPENDIX B

#### Forest Renewal BC Board of Directors

#### Roger Stanyer, Duncan

Chair of the Board, Forest Renewal BC

#### John Allen, Victoria

Deputy Minister, Ministry of Forests

#### Peter Beulah, Penticton

President, Greenwood Forest Products

#### Ric Careless, Gibsons

Executive Director, BC Spaces for Nature

#### Desmond Gelz, Prince George

Vice-President, Forest and Solid Wood Operations, Northwood Pulp & Timber Ltd.

#### David Haggard, Port Alberni

National President, IWA-Canada

#### Donald Hayes, Cobble Hill

Hayes Forest Service Ltd.

#### Ann Hillyer, Victoria

Partner, Hillyer-Atkins

#### John Kerr, Vancouver

Chair and CEO, Lignum Group of Companies

#### JoAnne Kineshanko, Lumby

Mayor, Village of Lumby

#### Doug McArthur, Victoria

Deputy Minister to the Premier

#### David McInnes, Vancouver

Chair, Weverhaeuser Canada Ltd.

#### Hon. Cathy McGregor, Kamloops

Minister of Environment, Lands and Parks

#### Garry Merkel, Kimberley

Vice-Chair, Columbia-Basin Trust

#### Brian Payne, Vancouver

Vice-President, Western Region Communications. Energy and Paperworkers Union of Canada

#### Glenn Robertson, Campbell River

MLA, North Island

#### George Watts, Port Alberni

Principal, Imhahup Consulting Group

#### Hon. David Zirnhelt, Williams Lake

Minister of Forests

#### **Forest Renewal BC Advisory Committees**

#### **Land and Resources Committee**

Makes recommendations to the Forest Renewal BC Board of Directors on investments in forest resources and the forest land base. David McInnes, Chair, Vancouver Rod Beaumont, Vancouver - Industry Bill Bourgeois, Vancouver - Industry Bruce Ernst, Quesnel - Labour Mark Haddock, Vancouver - Environment Donald Hayes, Cobble Hill - Industry Barbara Hislop, Vancouver - Industry Gary Kobayashi, Vancouver - Labour Fred Lowenberger, Vancouver - Industry Jim Maxwell, Victoria - Government Mike Morton, Ucluelet - Community Joyce Murray, New Westminster - Silviculture Dave Neads, Williams Lake - Environment Chief Earl Smith, Black Creek - First Nations Roger Stanyer, Duncan - Forest Renewal BC

#### **Environment Committee**

Makes recommendations to the Forest
Renewal BC Board of Directors on investing
in the environmental values of the forest.

Ann Hillyer, Chair, Victoria

Ralph Archibald, Victoria – Government

Bill Beese, Nanaimo – Industry

Jim Cooperman, Chase – Environment

Wes Giesbracht, Smithers – Community

Don Laishley, Vancouver – Industry

Graham Lea, Vancouver – Industry

Loni Parker, Revelstoke – Community

Paul Senez, Victoria – Environment
Greg Utzig, Nelson – Environment
Rod Willis, Vernon – Industry
Nancy Wilkin, Victoria – Government
Paul Zeegers, Quesnel – Labour

Makes recommendations to the Forest

Renewal BC Board of Directors on fostering

#### **Workforce Committee**

forest employment opportunities, job training and related initiatives to assist forest workers and expand the forest workforce. JoAnne Kineshanko, Chair, Lumby John Betts, Nelson - Silviculture Sandy Gibb, Sunshine Coast - Industry Ian Harvey, Surrey - Industry Linda Kaivanto, Victoria - Government Carolyn Lawson, Vancouver - Government Armin Pyde, Kamloops - Industry Bill Routley, Duncan - Labour Gordon Rowland, Vernon - Industry Terry Smith, Vancouver - Labour George Watts, Port Alberni - First Nations Paul West, Victoria - Environment Carmen Wheatley, Smithers - Community

#### **Communities Committee**

Fred Wilson, Vancouver - Labour

Makes recommendations to the Forest Renewal BC Board of Directors on supporting forest-based community development and adjustment. Garry Merkel, Chair, Kimberley

Peter Boothroyd, Vancouver - Education

Christie Brown, Victoria - Government

Betty Davies, Smithers - Community

Wendy Dubbin, Lone Butte - Community

Claudette Everitt, Vernon - Community

Kevin Kelly, Kamloops - Labour

Steve Lorimer, Crofton - Industry

Ken McLeod, Victoria - Government

Chris Robertson, Gibsons - First Nations

Keith Spencer, Vanderhoof - Industry

Roger Stanyer, Duncan - Forest Renewal BC

Mike Tarr, Prince Rupert - Community

Ray Travers, Victoria - Environment

Doug Weir, Revelstoke - Community

#### **Value-added Committee**

Makes recommendations to the Forest Renewal BC Board of Directors on investments that assist forest industry diversification, further processing of the wood supply and increased manufacturing of wood products.

Desmond Gelz, Chair, Prince George

Peter Beulah, Penticton - Industry

Robert Bird, Penticton - Industry

John Brink, Prince George - Industry

Russ Cameron, Surrey - Industry

David Cohen, Vancouver - Education

Morris James Douglas, Kelowna - Industry

Russ Dowdeswell, Vernon - Industry

Joan Easton, Victoria - Government

Frank Everitt, Prince George - Labour

David Haggard, Port Alberni - Labour

Robert Holm, Surrey - Industry

Josie MacNeill, Cranbrook - Industry

Bill St. John, Vancouver - Industry

Barry Seymour, Vernon - First Nations

Ron Small, Qualicum Beach - Industry

Roger Stanyer, Duncan - Forest Renewal BC

Shaun Sullivan, Vancouver - Industry

Laurie Vaughan, Anahim Lake - First Nations

#### Research Working Group

Advises the Forest Renewal BC Board of Directors on strategic direction and the effectiveness of research and development investments.

Roger Stanyer, Chair, Duncan

Bill Beese, Nanaimo - Industry

Dr. Clark S. Binkley, Vancouver - Education

Max Blouw, Prince George - Education

Peter Boothroyd, Vancouver - Education

Bill Bourgeois, Vancouver - Industry

Dr. Suezone Chow, Vancouver - Industry

Jim Dangerfield, Vancouver - Industry

Mark Haddock, Vancouver - Environment

Robert Holm, Surrey - Industry

Kevin Kelly, Kamloops - Labour

Shawna Meade, Victoria - Education

Alex Sinclair, Vancouver - Industry

Shaun Sullivan, Vancouver - Industry

Greg Utzig, Nelson - Environment

Dr. Paul West, Victoria - Environment

Carl Winget, Victoria - Environment

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